



May 15, 2014

**Securities and Exchange Commission**  
SEC Building, EDSA, Mandaluyong City

Attention: **Director Vicente Graciano P. Felizmenio, Jr.**  
Markets and Securities Regulation Division

**Ms. Trixie Posadas**  
SEC Examiner

Philippine Stock Exchange  
Ayala Avenue, Makati City

Attention: **Janet A. Encarnacion**  
Head, Disclosure Department

Subject: **SEC 17-Q as of March 31, 2014**

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GENTLEMEN:

Please see attached SEC 17-Q for the 1<sup>st</sup> Quarter CY 2014 of Cosco Capital, Inc. and its subsidiaries.

Thank you.

Very truly yours,

  
**Atty. Candy H. Dacanay-Datuon**  
Assistant Corporate Secretary

# COVER SHEET

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SEC Registration Number

C O S C O   C A P I T A L , I N C .

(Company's Full Name)

2 N D   F L O O R ,   T A B A C A L E R A   B U I L D I N G   2 ,

N O .   9 0 0   R O M U A L D E Z   S T . ,   P A C O ,

M A N I L A

(Business Address: No. Street City/Town/Province)

ATTY. CANDY DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

1 2

Month

3 1

Day

SEC FORM 17-Q

(Form Type)

0 6

Month

2 7

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q  
2014 1st Quarter Report

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: March 31, 2014

2. Commission identification number: 147669

3. BIR Tax Identification No. : 000-432-378

4. Exact name of registrant as specified in its charter:

**COSCO CAPITAL, INC.**

(Formerly Alcorn Gold Resources Corporation)

5. Province, country or other jurisdiction of incorporation or organization:

Republic of the Philippines

6. Industry Classification Code:  (SEC Use Only)

7. Address of registrant's principal office:

2<sup>nd</sup> Floor Tabacalera Bldg 2, 900 D. Romualdez Sr. St.,  
Paco, Manila Postal Code: 1007

8. Registrant's telephone number, including area code:

(632) 524-9236 or 38

9. Former name, former address and former fiscal year, if changed since last report:

ALCORN GOLD RESOURCES, CORPORATION

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Class	Number of Shares of Common Stock Outstanding with P1.00 par value (Listed & Not Listed)
Common	7,405,263,564

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes  No

The 5,687,406,421 common shares of stock of the company are listed in Philippine Stock Exchange (PSE).

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes  No

(b) has been subject to such filing requirements for the past 90 days.

Yes  No

## I. FINANCIAL INFORMATION

### Item 1. Financial Statements

Financial Statements and, if applicable, Pro-Forma Financial Statements meeting the requirements of SRC Rule 68 and 68.1, Form and Content of Financial Statements, shall be furnished as specified therein.

1. Please see **SECTION A** for the financial statements
2. Please see **SECTION B** for the pro-forma statements of income statements and segment reporting
3. Please see **SECTION C** for the performance indicators schedule

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Report. The interim financial statements and notes thereto have been prepared in accordance with the Philippine Accounting Standard (PAS) 34 from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).*

## II. KEY PERFORMANCE INDICATORS

The Management considers the following as key performance indicators of the Group:

- Return on investment (Net income / Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income / Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA / Interest expense) - measures the ability of the Group to pay interest of its outstanding debts
- Current ratio (Current asset / Current liabilities) - measures the short-term debt-paying ability of the Group
- Asset turnover (Net revenue / Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets / Shareholders' equity) - indicates the Group's leverage used to finance the firm
- Debt to equity ratio (Liabilities / Shareholders' Equity) - measure of a Group's financial leverage

The table below shows the 5 key performance indicators for the past three interim periods:

<b>Performance Indicators</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Return on investment	1.53%	23.00%	6.000%
Profit margin	6.55%	27.66%	11%
EBITDA to interest expense	109.51	n/a	n/a
Current ratio	2.24:1	351.96:1	196.72:1
Asset turnover	0.65x	.81:1	.55:1
Asset to equity	1.34:1	1.37:1	1:1
Debt to equity ratio	.11:1	Debt free	Debt free

## III. RESULTS OF OPERATION

On April 12, 2013, Lucio L. Co Group and Alcorn Gold Resources Corporation (now Cosco Capital, Inc.) executed a Deed of Assignment in Payment for the Subscription wherein the Lucio L. Co Group shall subscribe to the unissued unauthorized capital stock of the Cosco, Capital, Inc. from the increase of its authorized capital stock at a subscription price of ₱15 per share for a total of 4,987,406,421 new shares at an aggregate subscription price of ₱74,811,096,315 worth of shares in Puregold Price Club, Inc. and Subsidiaries, Ellimac Prime Holdings, Inc. and Subsidiaries, Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc. and Subsidiary, Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Acquirees"), and the corresponding payment thereof by way of assignment of the shares owned by Lucio L. Co Group in the Acquirees, under the terms and conditions to be determined by the Corporation's BOD.

The aforementioned document had a closing condition that the issuance of the new shares of 4,987,406,421 shall be made immediately upon the occurrence of all of the following conditions, without need of any further consent or action:

- (a) Approval by the Securities and Exchange Commission of the Amendments;
- (b) Approval of the Philippine Stock Exchange ("PSE") of the listing of the Swap Shares; and
- (c) Arrival of the Listing Date of the Swap Shares, such date to be agreed upon with the PSE.

In addition, 1,142,857,143 shares were subscribed and issued to subscribers for P10.50 per share for a total consideration of P12,000,000,001.50 after meeting all the closing conditions.

For the purpose of this Deed, Listing Date of the Swap Shares shall mean the day that the Swap Share are listed in, and can commence trading at the PSE.

As the above transaction is effective as of May 30, 2013 or the date of the listing as provided in the Subscription Agreement dated April 12, 2013, the company as a conglomerate with a consolidation of the results of operations from 12 companies took effect only on June 1, 2013.

On July 5, 2013, SEC approved the registration of Alcorn Petroleum and Minerals Corporation, a wholly-owned subsidiary of Cosco Capital, Inc.

On January 29, 2014, the entire assets and liabilities of Go Fay & Co., Incorporada, SVF Corporation and 999 Shopping Mall, Inc. were transferred to and absorbed by Nation Realty, Inc. All of these companies are wholly-owned by Cosco Capital, Inc.

On February 11, 2014, the Board of Directors approved the acquisition of NE Pacific Shopping Centers Corporation. Ownership was transferred on February 28, 2014.

**Comparison of results of operations between March 31, 2014 and March 31, 2013**

**Table 1: Consolidated Income Statements**

The table below and the review of operations show Cosco as a mining company in January to March 2013 and as a conglomerate in January to March 2014.

	2014	2,013	Fluctuation	%
<b>REVENUES</b>	<b>19,230</b>	<b>1</b>	19,229	3225041%
<b>COST OF SALES</b>	<b>15,684</b>		15,684	
<b>GROSS PROFIT</b>	<b>3,545</b>	<b>1</b>	3,545	594482%
<b>OTHER OPERATING INCOME</b>	<b>674</b>		674	
	4,219	1	4,218	707503%
<b>OPERATING EXPENSES</b>	<b>2,169</b>	<b>8</b>	2,161	27086%
<b>INCOME FROM OPERATIONS</b>	<b>2,050</b>	<b>-7</b>	2,057	27869%
<b>OTHER INCOME (CHARGES) - net</b>	<b>58</b>	<b>11</b>	48	455%
<b>INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX</b>	<b>2,108</b>	<b>3</b>	2,105	66709%
<b>DEPRECIATION AND AMORTIZATION EXPENSE</b>	<b>333</b>		333	441457%
<b>INCOME BEFORE INCOME TAX</b>	<b>1,776</b>	<b>3</b>	1,773	57545%
<b>INCOME TAX EXPENSE</b>	<b>497</b>		497	
<b>NET INCOME FOR THE PERIOD</b>	<b>1,279</b>	<b>3</b>	1,276	41415%
<b>Net Income Attributable to:</b>				
Equity holders of the Parent Company	817	3	814	26410%
Non-controlling interests	462		462	
	<b>1,279</b>	<b>3</b>	1,276	41415%

Cosco Capital, Inc. and subsidiaries (the "Group") realized revenue of P19.2 billion for the three-month period ended March 31, 2014. This was higher compared to last year's revenue for the same period of P1 million. In the same period, the Group posted a net income of P1.3 billion which is higher compared to last year's figure of P3 million. This out-of-range fluctuation is because the Group's results of operations included revenues from 12 companies in 2014 whereas 2013 represents Cosco as a mining company only.



**Table 2 – Pro-forma Income Statement**

For comparability and analysis purposes, a pro-forma financial statements is presented in Section B. Below is the management discussion and analysis of the results of operations for the pro-forma financial statements:

	2014	2013	Fluctuation	%
<b>REVENUES</b>	<b>19,230</b>	17,145	2,085	12%
<b>COST OF SALES</b>	<b>15,684</b>	13,834	1,850	13%
<b>GROSS PROFIT</b>	<b>3,545</b>	3,311	235	7%
<b>OPERATING EXPENSES</b>	<b>2,169</b>	1,928	241	12%
<b>INCOME FROM OPERATIONS</b>	<b>2,050</b>	1,874	176	9%
<b>OTHER INCOME (CHARGES) - net</b>	<b>58</b>	118	-60	-51%
<b>INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX</b>	<b>2,108</b>	1,993	116	6%
<b>DEPRECIATION AND AMORTIZATION EXPENSE</b>	<b>333</b>	267	65	25%
<b>INCOME BEFORE INCOME TAX</b>	<b>1,776</b>	1,725	50	3%
<b>INCOME TAX EXPENSE</b>	<b>497</b>	453	44	10%
<b>NET INCOME FOR THE PERIOD</b>	<b>1,279</b>	1,273	<b>6</b>	<b>0%</b>
<b>Net Income Attributable to:</b>				
Equity holders of the Parent Company	817	801	15	1%
Non-controlling interests	462	471	-9	-2%
	<b>1,279</b>	<b>1,273</b>	<b>6</b>	<b>0%</b>

In a pro-forma basis wherein the figures presented has been prepared to give effect as if the share-swapping transaction described above had been completed since January 1, 2012 and thus already effective in the first quarter of 2013, the Group posted a revenue of P19.2 billion in the three-month period ended March 31, 2014. This is a 12% increase from last year's P17.1 billion of the same period brought about by growth in the various business segments. Increase in revenue for the retail business was about P2.3 billion; real estate, P30 million, liquor, P6.5 million while holding, oil storage and mining decreased by P38 million. The increase was generally attributable to newly opened stores and acquisitions for retail, sales volume growth for liquor and newly completed properties for lease from real estate.

Income from operations increased to P2 billion from last year's P1.9 billion or by P176 million which represents a 9% growth. Consolidated net income attributable to equity holders of the Parent Company for the three-month period of 2014 amounted to P817 million having approximately 1% increase from last year's consolidated net income after deducting the share of minority interest of P801 million. Retail business accounts for 59% of the net income after deducting the share of minority interest; real estate, 24%; liquor distribution, 14% and oil storage and mining, 4%. The growth in net income was contributed by all business segments which factors are further discussed in their respective discussion and analysis portion hereunder. Further, the finance income of P31 million from the money market placement of the amount received from the additional subscription as a result of the primary offering in June 2013 also contributed to the net income.



## **RETAIL**

For the three-month period ended March 31, 2014, the Segment posted a consolidated net sales of P18,385 million for an increase of P2,292 million or 14.2% compared to P16,093 million in the same period of 2013. New stores put up in 2013 were fully operating in 2014 increasing consolidated net sales for the three-month period ended March 2014.

The Segment realized an increase of 13.0% in consolidated gross profit for the three-month period ended March 31 from P2,834 million in 2013 to P3,204 million in 2014 of the same period, driven by sales growth and suppliers' support by way of rebates and conditional discounts granted during the period, in support of the Segment's strategic store expansion program. Consolidated gross profit margin was posted at 17.4% and 17.6% for the three-month periods ended March 2014 and 2013, respectively. Cost of sales increased by 14.5% in line with increase in sales.

Other operating income increased by P182 million or 37.0% from P492 million in the three-month period ended March 2013 to P674 million in 2014 of the same period. This includes increase in concessionaire income, commissions due from renting of product display locations in store aisles to suppliers and renting of booths to third party retailers, increase in membership income, as well as increase in display allowances from the new stores.

Operating expenses increased by P394 million or 18.5% from P2,133 million in the three-month period ended March 2013 to P2,527 million in 2014 of the same period. Majority of the increase was attributable to manpower cost of the Segment's new stores, as well as rent expenses relative to new lease contracts, utilities expense, depreciation expense and taxes, all related to the establishment and opening of new stores.

Other income decreased by P6 million or 111.4% from P5 million income-net in three-month period ended March 2013 to P1 million expense-net in 2014 of the same period. This was due to increase in bank charges for the three month period ended March 31, 2014.

Interest income decreased by P123 million or 94.7% from P130 million in the three-month period ended March 2013 to P7 million in 2014 of the same period. This was due to pre-termination of the P5 billion corporate bonds in April 2013. In the first quarter of 2013, the unused proceeds from the said bond were temporarily invested to take advantage of the income from capitalization.

## **REAL ESTATE**

Real Estate Business posted P433 million revenue in the three-month period ended March 31, 2014 or a 7% increase from P403 million in the previous year. The addition of NE Pacific Shopping Centers Corporation partly contributed in the increase of the segments revenue.

Income from operations decreased to P268 million or a 3% from last year's P276 million.

Real Estate Business' net income for the period resulted to P193 million or a 16% increase from last year's P167 million.

**LIQUOR DISTRIBUTION**

Revenue for the Liquor Business increased to P732 million or a 1% growth from last year's P725 million for the three-month period ended March 31, 2014.

Income from operations decreased to P144 million or 1% lower from last year's P153 million.

Net income for the period increased by 9 million from 103 million in 2013 to 112 million in 2014.

No significant changes had transpired on this segment during the comparable periods.

#### IV. FINANCIAL CONDITION

**Table 3: Consolidated Statements of Financial Position**

The table below shows the financial condition of Cosco Capital, Inc:

(In million PHP)	2014	2013	Mov.	% Mov
<b>A S S E T S</b>				
<b>Current Assets</b>				
Cash and cash equivalents	13,099	14,744	-1,645	-11%
Receivables - net	2,644	2,819	-175	-6%
Available-for-sale financial assets	46	40	6	15%
Short-term investments	37	500	-463	-93%
Inventories	10,895	10,355	541	5%
Prepayments and other current assets	1,547	1,703	-156	-9%
	<b>28,269</b>	<b>30,161</b>	<b>-1,892</b>	<b>-6%</b>
<b>NONCURRENT ASSETS</b>				
<b>Noncurrent Assets</b>				
Property and equipment - net	13,492	13,481	11	0%
Investment properties - net	12,223	11,672	551	5%
Intangible assets	18,987	18,001	986	5%
Investments	440	440		0%
Deferred oil and mineral exploration costs	118	119		0%
Deferred tax assets - net	10	53	-43	-81%
Others	1,851	1,196	655	55%
	<b>47,122</b>	<b>44,961</b>	<b>2,160</b>	<b>5%</b>
<b>TOTAL ASSETS</b>	<b>75,391</b>	<b>75,122</b>	<b>269</b>	<b>0%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>L I A B I L I T I E S</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	8,292	11,611	-3,146	-28%
Income tax payable	1,287	735	552	75%
Loans payable and current portion of long-term debts	2,715	1,212	1,503	124%
Trust receipts payable	33	17	17	100%
Others	275	414	-139	-34%
	<b>12,602</b>	<b>13,988</b>	<b>-1,386</b>	<b>-10%</b>
<b>Noncurrent Liabilities</b>				
Retirement benefits liability	272	293	21	7%
Deferred tax liabilities	870	939	69	7%
Long term debts - net of current portion	3,456	3,452	-4	0%
Others	2,083	1,620	463	29%
	<b>6,680</b>	<b>6,303</b>	<b>377</b>	<b>6%</b>
<b>Total Liabilities</b>	<b>19,282</b>	<b>20,291</b>	<b>-1,009</b>	<b>-5%</b>

**EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY**

<b>Equity</b>				
Capital stock	7,161	7,161		0%
Additional paid-in capital	9,635	9,635		0%
Reserve for retirement plan - net of tax	-3	-3		0%
Cumulative unrealized gain on AFS financial assets	4	5	1	21%
Retained earnings	23,857	23,040	-817	-4%
<b>Total Equity Attributable to Equity Holders of Parent Company</b>				
	40,653	39,837	816	2%
Non-controlling interest	15,456	14,994	462	3%
	56,109	54,831	1,278	2%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>75,391</b>	<b>75,122</b>	<b>269</b>	<b>0%</b>

**Current Assets**

Cash and cash equivalents amounted to P13 billion as at March 31, 2014 with a decrease of P1.6 billion from December 31, 2013 balance or a 11% decrease due basically to the net effect of the receipt of the P12 billion worth of capital stocks subscribed and paid by various new investors in June 2013 as the aftermath of the primary placement offering in May 2013 and the significant decrease in cash of the retail business because of its settlement of trade liabilities, payment of cash dividends and capital expenditure for new stores expansion and acquisition.

Receivables decreased by 6% from December 31, 2013 balance of P2.8 billion to this period's balance of P2.6 billion due significantly to the collection of liquor division's receivables.

Inventories increased by 5% from 2013 balance of P10.3 billion to this period's balance of P10.9 billion due to the increasing size of the retail business. Bulk of the inventory pertains to the merchandise of the retail business which amounted to P9.9 billion with an increase of P497 million principally due to stocking requirements of existing and new operating stores.

**Noncurrent Assets**

As at March 31, 2014 and December 31, 2013, total noncurrent assets amounted to P47 billion or 63% of total assets, and P44 billion or 60% of total assets, respectively, for an increase of P2 billion or 5%.

Property and equipment pertains to the buildings and equipment mostly owned by the Retail Business. Book values of property and equipment increased by P11 million from P13.48 billion in December 2013 to P13.49 billion in March 2014. This was due principally to additional capital expenditures incurred for the development and establishment of new stores during the current period most of which is attributable to Retail Business.

Investment properties pertains to the land, buildings and equipment owned by the Real Estate Business. Book values of property and equipment increased by P551 million or 5% from P11.7 billion in December 2013 to P12.2 billion in March 2014.

Other noncurrent assets increased by P655 million from P1.2 billion in December 2013 to P1.9 billion in March 2014. About 61% of these assets were contributed by the Retail Business

and the increase was primarily due to increase in security deposits in relation to new leases acquired for new stores development.

### **Current Liabilities**

As at March 31, 2014 and December 31, 2013, total current liabilities amounted to P12.6 billion and P14 billion respectively, for a decrease of P1.4 billion or 10%.

About 86% of accounts payable and accrued expenses pertains to the trade payable to suppliers by the Retail Business and the balance mostly to the contractors and suppliers of the Real Estate Business and suppliers of Liquor Distribution. The decrease by P3.1 billion or 28% was primarily due to net settlement of trade liabilities and payment of cash dividend to stockholders by retail business.

Significant part of the income tax payable pertains to that of the Retail Business. The increase by P552 million from P735 million in December 2013 to P1.3 billion in March due to recognition of tax expense for the three-month period ended March 31, 2014.

Trust receipts payable increased by P16 million or 100.0% from P17 million in December 2013 to P33 million in March 2014 due to purchases made by retail business.

Other current liabilities decreased by 34% from P413 million in December 2013 to P275 million in March 2014 relatively due to collections made during the period from various suppliers.

### **Noncurrent Liabilities**

As at March 31, 2014 and December 31, 2013, total noncurrent liabilities amounted to P6.7 billion and P6.3 billion, respectively, for an increase of P377 million or 6%.

Retirement benefits liability pertains mostly to the Retail Business which is about 96% of this account and the rest to other businesses. The increase was due to recognition of obligation incurred based on the latest independent actuarial report in accordance with PAS 19 – *Employee Benefits*.

Other noncurrent liabilities, which is primarily composed of noncurrent accrued rent, increased by P463 million or 29% from P1.6 billion in December 2013 to P2.1 billion in March 2014 due to recognition of rent expense for lease contracts entered into by the Group and its subsidiaries in compliance with PAS 17 – *Leases*.

## V. SOURCES AND USE OF CASH

A brief summary of cash flow movements is shown below:

	<u>For the three-month period</u> <u>ended March 31</u>	
	<b>2014</b>	<b>2013</b>
Net cash flows used in operating activities	<b>(1,754,058,851)</b>	(15,499,274)
Net cash flows used investing activities	<b>(1,379,262,481)</b>	(39,782,677)
Net cash flows provided by financing activities	<b>1,488,496,019</b>	-
<b>Net increase in cash and cash equivalents</b>	<b>(1,644,924,375)</b>	<b>(55,281,951)</b>

Net cash used in operations for the period basically refers to the income earned for the period adjusted by changes in current assets and current liabilities.

The bulk of the net cash flow provided by investing activities covers the cash obtained due to the consolidation reduced by the disbursements made for the acquisition of buildings and other properties and equipment.

Cash inflows from financing activities are from loan borrowings and reduced by payment of finance costs.

Management believes that the current levels of internally generated funds and from financing activities can meet the Group's immediate future cash needs and current work program commitments.



## VI. MATERIAL EVENTS AND UNCERTAINTIES

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- (i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;
- (ii) There are no unusual transactions during the year. However, there are material changes in the financial statements caused by the consolidation of 12 companies as effect of the subscription agreement entered on April 16, 2013. Details of changes are discussed in the management discussion and analysis of operation;
- (iii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;
- (iv) There are no dividends paid during the year;
- (v) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;
- (vi) There are no contingent liabilities or assets since the last statement of financial position period;
- (vii) Sources of liquidity – Funding will be sourced from internally generated cash flow, cash recently received from the sale of shares to the equity market and from debt market;
- (viii) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;
- (ix) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;
- (x) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;
- (xi) There are no significant elements of income not arising from continuing operations;
- (xii) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.


## **PART II--OTHER INFORMATION**

Disclosure not made under SEC Form 17-C - None

## SIGNATURES

Issuer: COSCO CAPITAL, INC. (Formerly Alcorn Gold Resources Corporation)


Duly Authorized Representative of the Issuer  
Signature and Title:



**LEONARDO B. DAYAO**  
President

Date: May 15, 2014

Duly Authorized Representative of the Issuer  
Signature and Title:



**MARY S. DEMETILLO**  
Chief Financial Officer

Date: May 15, 2014

# **SECTION A**

**COSCO CAPITAL , INC.**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

Contents

Statements of Financial Position

*As at March 31, 2014 and December 31, 2013*

Statements of Income

*For the Period Ended March 31, 2014 and 2013*

*For the Period Ended March 31, 2014 and 2013*

Statements of Changes in Stockholders' Equity

*For the Period Ended March 31, 2014 and 2013*

Statements of Cash Flows

*For the Period Ended March 31, 2014 and 2013*

Notes to Financial Statements

**COSCO CAPITAL, INC. AND SUBSIDIARIES**  
*(Formerly Alcorn Gold Resources Corporation)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at March 31, 2014 and December 31, 2013

(In Philippine Peso)

	Notes	2014	2013
<b>A S S E T S</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	13,099,225,612	14,744,149,987
Receivables - net	7	2,644,232,683	2,818,808,266
Available-for-sale financial assets	8	46,339,899	40,325,856
Short-term investments		37,172,246	500,000,000
Inventories	9	10,895,237,078	10,354,718,168
Prepayments and other current assets	10	1,547,104,356	1,702,982,309
		<b>28,269,311,874</b>	<b>30,160,984,586</b>
<b>NONCURRENT ASSETS</b>			
<b>Noncurrent Assets</b>			
Property and equipment - net	11	13,492,013,965	13,480,715,044
Investment properties - net	12	12,223,371,295	11,672,008,123
Intangible assets	13	18,987,279,575	18,000,887,819
Investments	14	439,775,237	439,775,237
Deferred oil and mineral exploration costs	15	118,456,692	118,829,183
Deferred tax assets - net		9,798,582	52,941,791
Others	16	1,850,854,545	1,196,154,380
		<b>47,121,549,891</b>	<b>44,961,311,577</b>
<b>TOTAL ASSETS</b>		<b>75,390,861,765</b>	<b>75,122,296,163</b>



**LIABILITIES AND EQUITY****LIABILITIES****Current Liabilities**

Accounts payable and accrued expenses	17	8,292,098,417	11,610,615,517
Income tax payable		1,286,583,498	734,939,892
Loans payable and current portion of long-term debts	18	2,715,344,897	1,212,000,000
Trust receipts payable		33,086,439	16,543,219
Others		274,512,935	413,894,807

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12,601,626,186 13,987,993,435

**Noncurrent Liabilities**

Retirement benefit cost	27	271,706,384	293,041,032
Deferred tax liabilities		870,038,350	938,849,665
Long term debts - net of current portion	18	3,456,119,010	3,451,714,933
Others	19	2,082,602,043	1,619,876,113

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6,680,465,787 6,303,481,743

**Total Liabilities**

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19,282,091,974 20,291,475,178

**EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY****Equity**

Capital stock	20	7,160,506,037	7,160,506,037
Additional paid-in capital		9,634,644,229	9,634,644,229
Reserve for retirement plan - net of tax assets		(2,520,490)	(2,520,490)
		3,589,757	4,565,462
Retained earnings		23,856,618,911	23,039,953,941

**Total Equity Attributable to Equity Holders of Parent Company**

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40,652,838,444 39,837,149,179

Non-controlling interest

15,455,931,347 14,993,671,806

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56,108,769,791 54,830,820,985

**TOTAL LIABILITIES AND EQUITY**

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75,390,861,765 75,122,296,163

**COSCO CAPITAL, INC. AND SUBSIDIARIES***(Formerly Alcorn Gold Resources Corporation)***CONSOLIDATED INCOME STATEMENTS**

For the Period Ended March 31, 2014 and 2013

(In Philippine Peso)

	Notes	2014	2013
<b>REVENUES</b>	21	<b>19,229,614,062</b>	596,241
<b>COST OF SALES</b>	22	<b>15,684,475,067</b>	-
<b>GROSS PROFIT</b>		<b>3,545,138,996</b>	596,241
<b>OTHER OPERATING INCOME</b>	23	<b>673,881,351</b>	-
		<b>4,219,020,347</b>	596,241
<b>OPERATING EXPENSES</b>	24	<b>2,169,041,211</b>	7,978,549
<b>INCOME FROM OPERATIONS</b>		<b>2,049,979,136</b>	(7,382,308)
<b>OTHER INCOME (CHARGES) - net</b>	25	<b>58,456,175</b>	10,538,242
<b>INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX</b>		<b>2,108,435,311</b>	3,155,934
<b>DEPRECIATION AND AMORTIZATION EXPENSE</b>	29	<b>332,629,645</b>	75,331
<b>INCOME BEFORE INCOME TAX</b>		<b>1,775,805,666</b>	3,080,603
<b>INCOME TAX EXPENSE</b>		<b>496,881,155</b>	-
<b>NET INCOME FOR THE PERIOD</b>		<b>1,278,924,511</b>	3,080,603
<b>Net Income Attributable to:</b>			
Equity holders of the Parent Company		<b>816,664,970</b>	3,080,603
Non-controlling interests		<b>462,259,541</b>	-
		<b>1,278,924,511</b>	<b>3,080,603</b>
<i>Earnings per share</i>		<i>0.114051</i>	<i>0.000024</i>

**COSCO CAPITAL, INC. AND SUBSIDIARIES**

*(Formerly Alcorn Gold Resources Corporation)*

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the Period Ended March 31, 2014 and 2013

(In Philippine Peso)

	Equity Attributable to Equity Holders of Parent							
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Reserve for retirement plan	Reserve in changes of Available-for-sale Financial Assets	Total	Non-controlling Interest	Total
Balance at January 1, 2013	1,275,000,000	-	98,202,992	-	2,623,692	1,375,826,684	-	1,375,826,684
Comprehensive Income			3,080,603			3,080,603		3,080,603
Balance at March 31, 2014	1,275,000,000	-	101,283,595	-	2,623,692	1,378,907,287	-	1,378,907,287
Balance at January 1, 2014	7,160,506,037	9,634,644,229	23,039,953,941	(2,520,490)	4,565,462	39,837,149,179	14,993,671,806	54,830,820,985
Comprehensive Income			816,664,970		(975,705)	815,689,265	462,259,541	1,277,948,806
Balance at March 31, 2014	7,160,506,037	9,634,644,229	23,856,618,911	(2,520,490)	3,589,757	40,652,838,444	15,455,931,347	56,108,769,791

(See Notes to Financial Statements)

**COSCO CAPITAL, INC. AND SUBSIDIARIES***(Formerly Alcorn Gold Resources Corporation)***CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Period Ended March 31, 2014 and 2013

(In Philippine Peso)

	NOTES	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		1,775,805,666	3,080,603
Adjustments for:			
Depreciation	29	332,629,645	75,331
Rent expense in excess of billings		104,528,977	
Unrealized valuation gain in trading securities		(3,125,737)	
Finance cost	24	19,252,956	
Unrealized foreign exchange loss (gain)			(26,766)
Dividend income		(3,061,094)	(3,129,143)
Finance income	6,25	(39,047,980)	(7,382,333)
Operating cash flows before changes in working capital		2,186,982,433	(7,382,308)
Decrease (increase) in operating assets:			
Receivables		72,805,110	(2,530,522)
Inventories		(540,518,910)	
Prepayments and other current assets		155,877,953	(5,614,572)
Other non-current assets		(654,700,165)	
Increase (decrease) in operating liabilities:			
Accounts payable, accrued expenses and other liabilities		(3,318,517,100)	28,128
Trust receipts payable		16,543,220	
Other liabilities		327,468,608	
Net cash used in operating activities		(1,754,058,851)	(15,499,274)

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Finance income received	39,047,980	7,382,333
Dividends received	3,061,094	3,129,143
Proceeds from investment in trading securities	(2,888,306)	
Proceeds from short-term investment	462,827,754	
Payments for intangible assets	(986,391,756)	
Decrease (increase) in oil and mineral exploration	372,491	(658,471)
Payments for property and equipment	(343,928,566)	(49,662,448)
Payments for investment properties	(551,363,172)	
<b>Net cash from investing activities</b>	<b>(1,379,262,481)</b>	<b>(39,809,443)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance costs paid	(19,252,956)	
Net availments of loan borrowings	1,507,748,975	
<b>Net cash from financing activities</b>	<b>1,488,496,019</b>	<b>-</b>
<b>EFFECTS OF FOREIGN EXCHANGE RATE</b>		
<b>CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(99,062)</b>	<b>26,766</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,644,924,375)</b>	<b>(55,281,951)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>		
<b>OF THE PERIOD</b>	<b>14,744,149,987</b>	<b>998,705,399</b>
<b>CASH AND CASH EQUIVALENTS AT END</b>		
<b>OF THE PERIOD</b>	<b>13,099,225,612</b>	<b>943,423,448</b>

(See Notes to Financial Statements)

**COSCO CAPITAL, INC. AND SUBSIDIARIES**  
*(Formerly Alcorn Gold Resources Corporation)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. CORPORATE INFORMATION**

Cosco Capital, Inc. (formerly Alcorn Gold Resources Corporation) (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 19, 1988 with the primary purpose of engaging in exploration, development and production of oil and gas and metallic and nonmetallic reserves in partnership with other companies or in its individual capacity. The Company's shares of stock are traded in the Philippine Stock Exchange (PSE) since September 26, 1988, the same date the Company attained its status of being a public company.

On October 8, 1999, the stockholders approved the amendment of the Parent Company's primary purpose from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Parent Company. The SEC approved the amendment on January 13, 2000. The Parent Company, as a holding company, may engage in any business that may add to its shareholders' worth. It is currently conducting studies in various industries that have high potential return such as in minerals, agriculture and power generation and distribution.

On July 5, 2013, SEC approved the registration of Alcorn Petroleum and Minerals Corporation, a wholly-owned subsidiary of Cosco Capital, Inc.

On January 29, 2014, the entire assets and liabilities of Go Fay & Co., Incorporada, SVF Corporation and 999 Shopping Mall, Inc. were transferred to and absorbed by Nation Realty, Inc.

On February 11, 2014, the Board of Directors approved the acquisition of NE Pacific Shopping Centers Corporation. Transfer of ownership was made on February 28, 2014.

On February 17, 2014, Cosco Capital, Inc. signed an Agreement to Purchase 100% of the share capital of Office Warehouse, Inc., a retailer of office and school products with 47 stores.

The Parent Company's registered office, which is also its principal place of business, is at 2nd Floor, Tabacalera Building #2, 900 D. Romualdez Sr. Street, Paco, Manila.

The Parent Company's current major shareholders consist of individual and corporate Filipino investors.



## **2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

### **2.01 Statement of Compliance**

The consolidated financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for available-for-sale (AFS) financial assets which are measured at fair value.

### **2.02 Basis of Consolidation**

These financial statements are the consolidated financial statements of Cosco Capital, Inc. and all of its subsidiaries (the "Group").

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are included from the date on which control is transferred until the date that the control ceases.

The Parent Company assesses control in consolidating a subsidiary. The parent has control over a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Parent Company and the acquired subsidiaries are either from the same group or entities controlled by the same individual shareholder. The acquisition of the subsidiaries is a result of a restructuring to insert a new parent at the top of the group. The Group applies the pooling of interest method in the consolidation of financial statements under common control. The application of this method is applied prospectively from the transaction date or from the date control is obtained.

Under the pooling of interest method, the assets and liabilities of the subsidiaries are recorded at book value not at fair value and no goodwill is recorded. The difference between the acquisition cost (par value of the shares issued) against the net book value of net assets acquired is presented as part of pre-acquisition retained. Any expenses of the combination, except share issue cost, are recognized immediately in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

Non-controlling interests in subsidiaries are presented separately from the equity attributable to equity owners of the Parent Company. Non-controlling shareholders' interest is initially measured at the non-controlling interests' proportionate share of the book value of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions or disposals of non-controlling interests which do not affect the Parent Company's control of the subsidiary are accounted for as transactions with equity holders. Any difference between the amount paid or received and the change in non-controlling interests is recognized directly in equity.

The following are the subsidiaries of the Parent Company:

	Percentage of Ownership	
	2014	2013
Puregold Price Club, Inc.	51%	51%
Montosco, Inc.	100%	100%
Meritus Prime Distributions, Inc.	100%	100%
Premier Wine and Spirits, Inc.	100%	100%
Nation Realty, Inc.	100%	100%
118 Holdings	100%	100%
Patagonia Holdings Corp.	100%	100%
Ellimac Prime Holdings, Inc.	100%	100%
Fertuna Holdings Corp.	100%	100%
Pure Petroleum Corp.	100%	100%
NE Pacific Shopping Centers Corporation	100%	100%
Alcorn Petroleum and Minerals Corporation	100%	100%

Puregold Price Club, Inc. (PPCI)

Incorporated and registered with the SEC on September 8, 1998 to engage in business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis.

The consolidated financial statements also include the following indirect subsidiaries owned through Puregold Price Club, Inc.

Subsidiaries	Percentage of Ownership	
	2013	2012
Kareila Management Corporation	100%	100%
PPCI Subic, Inc.	100%	100%
Company E Corporation	100%	-

Montosco, Inc.

Incorporated and registered with SEC on August 13, 2008 to engage in the business of trading consumer goods on wholesale or retail basis.

Meritus Prime Distributions, Inc.

Incorporated and registered with SEC on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distributing on wholesale of all kinds of wines, spirits, liquors, beers and other alcoholic and non-alcoholic beverages and drinks.

Premier Wine and Spirits, Inc.

Incorporated and registered with SEC on July 19, 1996 with a primary purpose to engage in the business of buying, selling, distributing and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

Nation Realty, Inc.

Incorporated and registered with SEC on March 27, 1969 to acquire by purchase or lease, or otherwise, land and interest therein, and to own, hold improve, develop, and manage any real estate acquired and to erect or cause to be erect or cause to be

erected on any lands owned, hold or occupied by the corporation, building or other structures with their appurtenances, and to acquire, own, lease or otherwise possess, rebuild, enlarge or improve any buildings or structures now or hereafter erected on any lands, and to mortgage, sell, lease or otherwise dispose of any lands and buildings or other structures at any time owned or held by the corporation.

#### 118 Holdings

Incorporated and registered with SEC on November 11, 2008 to invest, purchase, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property or every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts, or obligations of corporations, associations, domestic or foreign, for whatever lawful purpose may have been organized, and to pay therefore in whole and in part in cash or by exchanging therefore stocks, bonds, or other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, notes, evidences of indebtedness or other securities, contracts, obligations, to receive, collect and dispose interest, dividends and income arising from such property and to possess and exercise in respect thereof, all the rights, stocks so owned.

#### Patagonia Holdings Corp.

Incorporated and registered with SEC on March 12, 2008 to invest in purchase, subscribe for or otherwise acquire and own, hold, use, develop, sell, assign, pledge, transfer, mortgage, exchange or otherwise dispose real and personal property of every kind description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts or obligations of any corporation, or any other entities among others.

#### Ellimac Prime Holdings, Inc.

Incorporated and registered with SEC on December 10, 2001. It is principally involved in real estate leasing.

#### Fertuna Holdings Corp.

Incorporated and registered with SEC on August 24, 2009 to invest in purchase, subscribe for or otherwise acquire and own, hold, use, develop, sell, assign, pledge, transfer, mortgage, exchange, or otherwise dispose real and personal property and every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts and obligation of any corporation, or any other entities among others.

#### Pure Petroleum Corp.

Incorporated and registered with SEC on July 9, 2009 with primary purpose to engage in the business of buying and selling of goods such as, but not limited to, diesel, used oil and other related product as may be permitted by law, in wholesale and retail basis.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

#### Alcorn Petroleum and Minerals Corporation

Incorporated and registered with SEC on July 9, 2009 with primary purpose to carry on in the Philippines or elsewhere the business of exploration, discovery, development and exploitation of mineral oils, petroleum and in its natural state, rock or carbon oils, natural gas and all kinds of ores, metals, minerals and natural resources and the products and byproducts thereof; to process, manufacture, refine, prepare for market, buy, sell, exchange, lease, "acquire thru Service Contracts, Participating Agreements

and all other forms of contracts or concessions dealing in lands, mines and mineral rights and claims, and to conduct all business appertaining thereto; to purchase, lease, acquire, or otherwise, to own, hold and maintain, and to mortgage, pledge, lease, acquire, or otherwise, to own, hold and maintain, and to mortgage, pledge, lease, sell or otherwise dispose of petroleum, gas and oil lands, concessions, leases, royalties, and permits, lands and real estate of all kinds and the oil, gas and mineral rights and interest therein, to develop such lands, concessions, lease, rights and interests by and to enter into, acquire, carry out and execute contracts for drilling wells and installation of rigs, platforms, machinery and equipment; to construct, erect, and build, to purchase, lease or otherwise acquire, to own, manage, or in any manner dispose of or encumber, pipelines, plants, refineries, stations, systems, tank cars, vessels, appliances, machinery, structures, equipment and facilities of all kinds for manufacturing, treating, processing, concentrating, distilling, and in any manner dealing in gas, petroleum and other oils, minerals, and volatile substances, asphalt, bitumen and bituminous substances and other similar products of every kinds and character for any and all purposes whatsoever; to carry on and conduct the general business of mining, to acquire and perform all powers conferred by law on said mining business, within and outside of the Philippines and for the carrying of all activities incidental thereto.

#### *NE Pacific Shopping Centers Corporation*

NE Pacific Shopping Centers Corporation was incorporated in the Philippines on August 14, 1996 to primarily engage in the establishment and management of shopping malls.

All intracompany balances, transactions, income and expenses resulting from intracompany transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately in the consolidated statements of income and within stockholders' equity in the consolidated balance sheets, separately from equity attributable to equity holders of the parent.

### **2.03 Functional and Presentation Currency**

Items included in the financial statements of the Group are measured using Philippine Peso (P), the currency of the primary economic environment in which the Group operates (the "functional currency"). All values are rounded to the nearest peso, except when otherwise indicated.

### **2.04 Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS and PAS which the Company has adopted during the year:

- PFRS 7 (Amended), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

The amendment requires disclosing information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. An entity shall provide the disclosures required by those amendments retrospectively.

- PFRS 10, *Consolidated Financial Statements*

The Standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The Standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. This PFRS will supersede PAS 27, *Consolidated Financial Statements and Separate Financial Statements* and SIC 12, *Consolidation –Special Purpose Entities*.

PFRS 10 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- PFRS 12, *Disclosure of Interests in Other Entities*

The Standard applies to entities that have an interest in a subsidiary, a joint arrangement, and an associate or an unconsolidated structured entity. It benefits the users by identifying the profit or loss and cash flows available to the reporting entity and determining the value of current or future investment in the reporting entity.

PFRS 12 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- PFRS 13, *Fair Value Measurement*

The Standard explains how to measure fair value for financial reporting. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It emphasizes that fair value is market-based not an entity-specific measurement; hence an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. It was developed to eliminate inconsistencies of fair value measurements dispersed in various existing PFRS. It clarifies the definition of fair value, provides a single framework for measuring fair value and enhances fair value disclosures.

In accordance with the transitional provisions of PFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures.

PFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- PAS 1 *Presentation of Items of Other Comprehensive Income*

To improve the presentation of items of OCI, amended PAS 1 require entities to group items presented in the OCI on the basis whether they would be reclassified to (recycled to) profit or loss subsequently.

The amendments did not address which items should be presented in the OCI and did not change the option to present OCI items either before or net of tax.

As a result of the amendments to PAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated interim statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.



Those amendments are effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted.

- **PAS 19 (Amended) *Employee Benefits***

Significant changes to this standard include removal of corridor approach; immediate recognition of past service costs; presentation of remeasurements on defined benefit plans in other comprehensive income; new recognition criteria on termination benefits; and improved disclosure requirements.

The amended standard comes into effect for accounting periods beginning on or after January 1, 2013. Earlier application is permitted.

- **PAS 28 (Revised), *Investment in Associates***

The amendments to PAS 28 are result of the completion and issuance of a new standard on joint arrangements, the PFRS 11 Joint Arrangements. As a result, PAS 28 will now be titled as Investment in Associates and Joint Ventures incorporating requirements for joint ventures.

The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- ***Improvements to PFRS (2011)*** – Effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

**PAS 1, *Presentation of Financial Statements*** – The improvements in this PFRS clarifies that when an entity changes an accounting policy, or makes a retrospective restatement or reclassifications it shall present:

- a) the opening statement of financial position should be presented as at the beginning of the required comparative period; and
- b) related notes are not required to accompany this opening statement of financial position.

The objective of financial reporting was also updated to reflect the conceptual framework.

**PAS 16, *Property, Plant and Equipment*** – It clarifies that servicing equipment should be classified as property, plant and equipment when it is used during more than one period and as inventory otherwise.

**PAS 32, *Financial instruments: Presentation*** – It clarifies that income tax relating to distributions to holders of an equity instrument and income tax relating to transaction costs of an equity transaction should be accounted for in accordance with PAS 12, *Income Taxes*.

**PAS 34, *Interim Financial Reporting*** – It clarifies that the requirements in PAS 34 relating to segment information for total assets for each reportable segment in order to enhance consistency with the requirements in PFRS 8, *Operating Segments*. The amendment clarifies that total assets for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements.

The standards that have been adopted are deemed to have no material impact on the consolidated financial statements of the Group.

## **2.05 Future Changes in Accounting Policies**

The Group did not early adopt the following standards and Philippine Interpretations that have been approved but are not yet effective. The Company will adopt these standards and interpretations on their effective dates.

- **PFRS 9, *Financial Instruments: Classification and Measurement***

PFRS 9, *Financial Instruments*, issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

PFRS 9 requires all recognised financial assets that are within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of PFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under PFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under PAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

PFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

- **PAS 32 (Amended), *Financial Instruments: Presentation – Offsetting of Financial Assets and Liabilities***

The amendment provided additional application guidance for offsetting in accordance with PAS 32. The amendments clarified the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. These amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. Earlier application is permitted.

- **PAS 36 (Amended), *Impairment of Assets***

The amendment requires to disclose the recoverable amount of impaired assets. It clarifies that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

The amendment is to be applied retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13.

- **IFRIC 15, *Agreements for the Construction of Real Estate***

The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and when revenue from the construction of real estate should be recognized. The requirements have not affected the accounting for the Group's construction activities. Effectivity of this interpretation has been deferred until the the final Revenue standard is issued by International Accounting Standards Board (IASB), and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Group applies the same accounting policies and methods of computation in its interim consolidated financial statements as in its previous year's annual financial statements. None of the new standards, interpretations and amendments, effective for the first time from 1 January 2013 have a material effect on the financial statements.

#### 3.01 Financial Assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

*Day 1 Difference.* Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statements of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets that are subsequently measured at cost or at amortized cost ,and where the purchase or sale are under a contract whose terms require delivery of such within the timeframe established by the market concerned are initially recognized on the trade date.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), 'available-for-sale' (AFS) financial assets, held-to-maturity investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group's financial assets include cash and cash equivalents, receivables, available-for-sale financial assets, advances to related parties and deposit for future stock subscription.

#### Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.



Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

#### Amortized Cost

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of effective interest rate.

#### Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss subsequently. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated income statements.

#### Available-for-sale Financial Assets

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets and stated at fair value, because the directors consider that fair value can be reliably measured. Fair value is determined in the manner described in Note 27. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. The Group also has investments in unlisted shares that are not traded in an active market and are stated at acquisition cost and reduced at each reporting period by any impairment in value.

Non-derivative available-for-sale financial asset may be reclassified to loans and receivable category that would have met the definition of loans and receivables if there is an intention and ability to hold that financial asset for the foreseeable future or until maturity.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

#### Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

## Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the lender would not otherwise consider; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance

account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

#### Derecognition of Financial Assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

### **3.02 Business Combinations**

Business combinations are accounted for using the pooling of interest method. The consideration for acquisition is measured at book values of assets given, liabilities incurred or assumed, and par value equity instruments issued by the Company in order to obtain control of the acquiree (at the date of exchange). Costs incurred in connection with the acquisition are recognized in profit or loss as incurred, except share issue cost. The costs of integrating and reorganizing acquired businesses are charged to the post acquisition profit or loss.

If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognized when new information about its existence is obtained during this period

### 3.03 Acquisition of Non-controlling Interests

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in stockholders' equity and included under "Additional paid-in capital - net" account in the stockholders' equity section of the consolidated balance sheets.

### 3.04 Inventory

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are determined using the moving average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the consolidated income statements. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

### 3.05 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment loss.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

Land is not depreciated. Construction-in-progress is carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete and the property is ready for occupancy.

Depreciation is computed on straight-line method based on the estimated useful lives of the assets as follows:

Buildings	10-25
Land improvements	25-50

Investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

### 3.06 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Wells, platforms and other facilities comprising oil and gas property represents the Group's share in the SC 14's total capitalized exploration and development expenditures. They are amortized using the unit-of-production method based upon estimates of proved developed reserves that are reasonably certain to be produced and sold during the remaining period of existing production licenses and agreements. The effect of revisions of previous estimates of proved developed reserves is taken up prospectively in the unit of production calculation.

Estimates of decommissioning and abandonment costs, which are accrued based on a unit-of-production rate, which depends on approved budget and reserve estimates, are also included in the wells, platforms and other facilities account as these costs are treated as recoverable cost to be deducted from oil sales proceeds prior to remittance of government share as indicated in the agreement among Consortium members under the SC.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building	15-30
Storage tanks	25
Machinery equipment	3-25
Furniture and fixtures	2-20
Office equipment	2-10
Computer software	5-10
Transportation equipment	3-5
Others	3

Leasehold improvements are depreciated over the shorter between the improvements' useful life of 3 to 20 years or the lease term.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

### **3.07 Intangible Assets**

#### Goodwill

Goodwill represents the book value amounts recognized in the consolidated financial statements of the subsidiary and is carried in the books of the Group's consolidated financial statements as a result of the pooling of interest method. Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, if any, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

#### Intangible Assets Acquired Separately

Intangible assets acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite life are not amortized. However, such assets are reviewed annually to ensure the carrying amount does not exceed the recoverable amount regardless of whether an indicator of impairment is present. The Group assessed the useful life of trademark and customer relationship to be indefinite. Based on the analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

#### Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

### **3.08 Impairment of Assets**

At each reporting date, the Group assesses whether there is any indication that any assets other than inventories, deferred tax assets and financial assets that are within the scope of PAS 39 Financial Instruments may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Except for goodwill, when an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

### **3.09 Borrowing Costs**

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **3.10 Financial Liabilities and Equity Instruments**

#### Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

#### Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The cost of acquiring the Group's own shares are shown as a deduction from equity until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity.

#### Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Group's financial liabilities include accounts payable, accrued expenses and other liabilities, loans payable and long-term debts.

#### Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value inclusive of directly attributable transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

### Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the obligations are discharged, cancelled or expired. When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### **3.11 Offsetting of Financial Instruments**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **3.12 Employee Benefits**

#### Short-term Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences and non-monetary benefits.

#### Post-employment Benefits

The Group has an unfunded defined benefit retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost, past service cost, and net interest on defined benefit asset/liability. Remeasurements which include cumulative actuarial gains and losses, return on plan assets, and changes in the effects of asset ceiling are recognized directly in other comprehensive income and is also presented under equity in the statements of financial position.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The liability recognized in the statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.



### **3.13 Provisions**

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### **3.14 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### Sale of Goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of Services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. Revenue from rendering of services is recognized when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

### Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Rental Income

The Group's policy for recognition of revenue from operating leases is described in Note 3.16.

### **3.15 Expense Recognition**

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the entity.

The Group recognizes expenses in the consolidated statement of income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

### **3.16 Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

#### The Group as Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **3.17 Foreign Currency Transactions**

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, are recognized at the rates of exchange prevailing at the dates of the transactions.

### **3.18 Related Parties and Related Party Transactions**

A related party is a person or entity that is related to the Group that is preparing its financial statements. A person or a close member of that person's family is related to Group if that person has control or joint control over the Group, has significant influence over the Group, or is a member of the key management personnel of the Group or of a parent of the Group.

An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependants of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are accounted for at arm's-length prices or on terms similarly offered to non-related entities in an economically comparable market.

### **3.19 Jointly Controlled Operation**

A jointly controlled operation is a joint venture carried on by each venture using its own assets in pursuit of the joint operation. The financial statements include assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

### **3.20 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

### **3.21 Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### **3.22 Earnings Per Share**

The Group computes its basic earnings per share by dividing net income or loss attributable to ordinary holders of the Group by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit or loss attributable to ordinary equity holders of the Group, and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

### **3.23 Events after the Reporting Period**

The Group identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

## **4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 3, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **4.01 Critical Judgments in Applying Accounting Policies**

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

#### **Distinction Between Property and Equipment and Investment Property**

The Group determines whether a property qualifies as investment property. In making its judgments, the Group considers whether the property generates cash flows largely independent of the other assets held by the entity.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production of supply of goods and services or for administrative purposes.

The Group classified some of its land and building as investment properties. The carrying amounts of investment property amounted to ₱12,223,371,295 and ₱11,672,008,123 as at March 31, 2014 and December 31, 2013, respectively while the carrying amounts of property and equipment as at March 31, 2014 and December 31, 2013 are ₱13,492,143,608 and ₱13,480,715,044, respectively.

#### Application of Pooling of Interest Method

Business combinations under common control are outside the scope of PFRS 3, *Business Combinations*, and PFRSs has no other specific guidance in accounting for such transaction. Accordingly, the Management has used judgment in developing an accounting policy that is relevant and reliable. In line with this, the Management has also considered the most recent pronouncement of the Philippine Interpretations Committee (PIC) on the application of pooling of interest.

The Management has chosen the pooling of interest method in accounting for business combinations of entities under common control. However, the Management further decided not to restate the prior year balances in applying this method. Thus, the pooling of interest method was applied prospectively from acquisition date. Management believes that the elected policy is appropriate, given the circumstances, and will present fairly the consolidated financial statements of the Group.

#### Assessment of Control

The Group determines whether an entity qualifies as a subsidiary when it has control over an entity. The Group controls an entity when it has the three elements of control as disclosed in Note 2.2. In making its judgments, The Group considers all facts and circumstance when assessing control over an investee. A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

As at March 31, 2014, the Management assessed that there were no changes in the elements of control in each subsidiary.

#### **4.02 Key Sources of Estimation Uncertainty**

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the previous period. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### Estimating Useful Lives of Property and Equipment and Investment Property

The useful lives of the Group's property and equipment and investment property are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Group's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.



Management assessed that there were no significant changes from the previous estimate. The carrying amounts of investment property amounted to P12,223,371,295 and P11,672,008,123 at March 31, 2014 and December 31, 2013, respectively, while the carrying amounts of property and equipment as at March 31, 2014 and December 31, 2013 amounted to P13,492,143,608 and P13,480,715,044, respectively.

#### Impairment of Trademarks and Customer Relationships with Indefinite Lives

The Group determines whether trademarks and customer relationships are impaired at least annually. This requires the estimation of the value in use of the trademarks and customer relationships. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and from the trademarks and customer relationships and to choose a suitable discount rate to calculate the present value of those cash flows.

The aggregate carrying amounts of trademarks and customer relationships with indefinite useful lives amounted to P4,599,113,528 as at March 31, 2014 and December 31, 2013.

#### Asset Impairment

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of property and equipment, investments and intangible assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Group to conclude that property and equipment, investments and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

As at March 31, 2014 and December 31, 2013, the aggregate carrying amount of non-financial assets is as follows:

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Property and equipment	P 13,492,143,608	P 13,480,715,044
Investment property	12,223,371,295	11,672,008,123
Intangible asset	18,987,279,575	18,000,887,819

#### Estimating Realizability of Deferred Tax Assets

The Group reviews the carrying amounts at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the succeeding periods.

Deferred tax assets amounted to P9,798,582 and P52,941,791 as at March 31, 2014 and December 31, 2013, respectively.

### Estimating Allowances for Doubtful Accounts

The Group estimates the allowance for doubtful accounts related to its trade receivables based on assessment of specific accounts where the Group has information that certain customers are unable to meet their financial obligations. In these cases judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. The Group used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

The allowance for impairment losses on receivables amounted to P20,581,380 as at March 31, 2014 and December 31, 2013.

### Estimation of reserves

Oil and mineral reserves are key elements in the Group's investment decision making process. They are also an important element in the Group's impairment testing. Changes in proved oil and mineral reserve will affect the standardized measure of discounted cash flows and the unit-of-production depletion charges to profit or loss.

Proven oil reserves are the estimated quantities of crude oil which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimates are made. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proven mineral reserves are the economically mineable part of a measured mineral resource. It includes diluting materials and allowance for losses which may occur when the material is mined. Appropriate assessment, which includes a pre-feasibility study, at the minimum, have been carried out, and include consideration of, and modification of, realistically assumed mining, metallurgical, economic, marketing, legal environment, social and government factors. These assessments demonstrate that extraction could reasonably be adjusted at the reporting date.

Estimates of oil and mineral reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the standardized measure of discounted cash flows, depletion, and decommissioning provisions) that are based on proved developed reserves are also subject to change.

Proved developed oil reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other production reservoirs. Proved developed reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimated proved developed reserves only include volumes for which access to market is assured with reasonable certainty. All proved developed reserve estimates are subject to revision, either upward



or downward, based on new information, such as from development t drilling and production activities of from changes in economic factors, including product prices, contract terms or development plans.

In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life that estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the estimated amount of proven reserves will be subject to future revisions once additional information becomes available through, for example, the drilling of additional wells or the observation of long term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions in estimates.

#### Estimating Net Realizable Value (NRV) of Merchandise Inventory

The Group carries merchandise inventory at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying amount of inventory amounted to P10,895,237,078 and P10,354,718,168 as at March 31, 2014 and December 31, 2013, respectively.

## 5. SEGMENT INFORMATION

### **Products and Services from which Reportable Segments Derive their Revenues**

Segment information reported externally was analyzed on the basis of the types of goods supplied and services provided by the Groups's operating divisions. However, information reported to the Groups's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focussed on the types of goods or services delivered or provided. The Group's reportable segments under PFRS 8 are therefore as follows:

Retail	Includes selling of purchased goods to a retail market
Real estate	Includes real estate activities such as selling and leasing of real properties
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Oil storage	Includes buying and selling of petroleum products
Mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

The following segment information does not include any amounts for discontinued operations.

Information regarding the Group's reportable segments is presented hereunder:

## Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment Revenues		Segment Profit	
	2014	2013	2014	2013
Retail	P 18,384,529,901	P -	P 943,386,819	P -
Real estate	432,535,479	-	192,906,609	-
Liquor distribution	730,789,232	-	112,123,813	-
Holding, oil storage and mining	13,043,002	596,241	30,507,270	3,080,603
<b>Total</b>	<b>19,560,897,614</b>	<b>596,241</b>	<b>1,278,924,511</b>	<b>3,080,603</b>
Investment revenue	39,047,980	-	-	-
Finance costs	(19,252,956)	-	-	-

Revenue reported above represents revenue generated from external customers and inter-segment sales broken down as follows:

	2014	2013
Retail		
From external customers	P 18,384,529,901	P -
From inter-segment sales	-	-
	<b>18,384,529,901</b>	<b>-</b>
Real estate		
From external customers	261,946,492.5	-
From inter-segment sales	170,588,986	-
	<b>432,535,479</b>	<b>-</b>
Liquor distribution		
From external customers	570,094,667	-
From inter-segment sales	160,694,565	-
	<b>730,789,232</b>	<b>-</b>
Holding, oil storage and mining		
From external customers	13,043,002	596,241
From inter-segment sales	-	-
	<b>13,043,002</b>	<b>596,241</b>
<b>Total revenue from external customers</b>	<b>P 19,229,614,062</b>	<b>P 596,241</b>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

No single customer contributed 10% or more to the Group's revenue for the periods ended March 31, 2014 and 2013.

## Segment Assets and Liabilities

Below is an analysis of the Group's segment assets and liabilities:

	March 31, 2014	December 31, 2013
<b>Segment Assets</b>		
Retail	P 47,294,349,154	P 49,625,644,062
Real estate	17,029,603,905	16,845,555,757
Liquor	2,660,443,147	2,488,629,137
Holding, oil storage and mining	89,102,893,112	89,063,042,282
<b>Total segment assets</b>	<b>156,087,289,318</b>	<b>158,022,871,238</b>
<b>Intercompany assets</b>	<b>80,696,427,553</b>	<b>82,900,575,075</b>
<b>Total assets</b>	<b>75,390,861,765</b>	<b>75,122,296,163</b>
<b>Segment Liabilities</b>		
Retail	15,764,662,335	19,039,344,061
Real estate	5,252,102,496	5,722,409,033
Liquor	1,032,454,645	972,982,017
Holding, oil storage and mining	371,668,573	368,136,987
<b>Total segment liabilities</b>	<b>26,102,872,098</b>	<b>26,102,872,098</b>
<b>Intercompany liabilities</b>	<b>3,138,796,074</b>	<b>5,811,396,920</b>
<b>Total liabilities</b>	<b>P 19,282,091,975</b>	<b>P 20,291,475,178</b>

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than investments in associates, financial assets, and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than financial liabilities, current and deferred tax liabilities and other liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

## Other Segment Information

Details about other segment information are as follows:

	Depreciation and Amortization	
	2014	2013
Retail	P 285,570,038	P -
Real estate	40,306,586	-
Liquor	1,399,478	-
Holding, oil storage and mining	5,353,542	75,331
	<b>P 332,629,645</b>	<b>P 75,331</b>

## Geographical Information

The group operates only in its domicile country or in a single geographical area. Revenue from external costumers amounted to P19,229,614,062 and P596,241 for the periods ended March 31, 2014 and 2013, respectively.

## 6. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	March 31, 2014	December 31, 2013
Cash on hand	P 373,595,351	P 720,101,890
Cash in banks	1,956,829,965	2,349,103,633
Cash equivalents	10,768,800,295	11,674,944,464
	<b>P 13,099,225,612</b>	<b>P 14,744,149,987</b>

Cash in banks earn interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value. Finance income amounted to P39,047,980 and P4,074,431 for the periods ended March 31, 2014 and 2013 respectively, as disclosed in Note 23.

## 7. RECEIVABLES – net

The Group's trade and other receivables consist of:

	March 31, 2014	December 31, 2013
Trade receivables	P 1,161,571,666	P 1,843,552,590
Non-trade receivables	1,503,242,396	992,496,508
	<b>2,664,814,063</b>	<b>2,836,049,098</b>
Allowance for doubtful accounts	20,581,380	17,240,832
	<b>P 2,644,232,683</b>	<b>P 2,818,808,266</b>

Majority of trade receivables pertain to credit card transactions which are due within 30 days or its normal credit period. The Group partners only with reputable credit card companies affiliated with major banks. Management believes that except for the accounts provided with allowance for impairment losses amounting to P20,581,380 and P17,240,832 as at March 31, 2014 and December 31, 2013, all other receivables are collectible and therefore, no additional allowance is necessary.

Non-trade receivables represent amount due from suppliers for rentals, display, concession, demo sampling, interest, receivables from SC14, advances to suppliers and others.

No interest is charged on trade receivables. Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful accounts are individually impaired trade receivables. The Group does not hold any collateral over these balances.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's available-for-sale financial assets consist of:

	March 31, 2014	December 31, 2013
Investment in shares of stock	P 35,845,859	P 32,670,051
Investment in debt securities	10,494,040	7,655,805
	<b>P 46,339,899</b>	<b>P 40,325,856</b>

The listed equity securities above represent opportunities for return through dividend income and trading gains. Debt securities classified as available-for-sale represent investment in retail treasury bonds issued and guaranteed by the Republic of the Philippines time deposits.

## 9. INVENTORIES

This account consists of wines and spirits, groceries and other consumer products, such as canned goods, housewares, toiletries, dry goods, food products, wines, and others, held for sale in the ordinary course of business on wholesale and retail bases. Inventory cost as at comparative periods is lower than net realizable value.

The Groups merchandise inventory as at March 31, 2014 and December 31, 2013 amounted to P10,895,237,078 and P10,354,718,168, respectively.

Inventories amounting to P15,556,258,827 and nil were recognized as expense for the three months period ended March 31, 2014 and 2013, respectively, as disclosed in Note 22.

## 10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Input value added tax (VAT)	<b>P 972,813,164</b>	<b>P 1,269,561,495</b>
Creditable withholding tax	<b>83,339,940</b>	<b>10,476,421</b>
Prepayments and others	<b>490,951,252</b>	<b>422,944,393</b>
	<b>P 1,547,104,356</b>	<b>P 1,702,982,309</b>

Input VAT represents accumulated input taxes from purchases of goods and services for business operation and purchases of materials and services for the building and leasehold construction which can be applied against future output VAT.



## 11. PROPERTY AND EQUIPMENT

The carrying amounts of the Group's property and equipment are as follows:

	Building	Furniture and fixtures	Office and store equipment	Leasehold improvement	Land	Construction-in-progress	Machinery and transportation equipment	Wells, platforms and storage tanks	TOTAL
<b>COST</b>									
Balance as at December 31, 2012	-	-	1,973,000	206,115	-	-	3,939,859	204,955,281	211,074,255
Additions/Effect of business combination	3,133,702,847	1,000,987,413	2,106,566,562	2,940,732,175	378,478,578	1,366,514,574	272,453,474	520,352,787	11,719,788,410
Transfer in	(2,313)	9,545,134	28,783,723	18,443,731	-	-	-	-	56,770,275
Reclassifications	446,413,051	112,948	(546,902)	991,484,454	-	(1,437,463,550)	(223,441)	-	(223,441)
Additions	321,540,256	240,536,452	805,899,854	378,374,622	8,127,241	441,028,813	1,576,357	-	2,197,083,594
Write-offs	-	-	-	-	-	-	-	-	-
Adjustments	1,463	16,428,194	(17,555,499)	24,720	-	-	-	-	(1,101,121)
Disposals	-	(17,545)	(2,289,593)	-	-	-	-	-	(2,307,138)
<b>Balance as at December 31, 2013</b>	<b>3,901,655,304</b>	<b>1,267,592,595</b>	<b>2,922,831,145</b>	<b>4,329,265,817</b>	<b>386,605,819</b>	<b>370,079,836</b>	<b>277,746,249</b>	<b>725,308,068</b>	<b>14,181,084,834</b>
Additions	12,155,742	92,813,629	77,090,395	94,440,435	-	36,530,893	4,199,131	-	317,230,224
Reclassifications	56,269,901	2,460	-	24,323,686	-	(80,596,047)	(637)	-	(637)
Write-offs	-	-	-	-	-	-	-	-	-
Adjustments	-	(70,103)	-	-	-	-	-	-	(70,103)
Disposals	-	(29,000)	-	-	-	-	(3,942,857)	-	(3,971,857)
<b>Balance as at March 31, 2014</b>	<b>3,970,080,947</b>	<b>1,360,309,580</b>	<b>2,999,921,540</b>	<b>4,448,029,938</b>	<b>386,605,819</b>	<b>326,014,682</b>	<b>278,001,885</b>	<b>725,308,068</b>	<b>14,494,272,461</b>

**ACCUMULATED DEPRECIATION**

Balance as at December 31, 2012	-	-	1,933,315	206,115	-	3,638,901	44,917,503	50,695,834
Transfer in	(2,313)	1,856,062	6,372,105	8,768,792	-	-	-	16,994,646
Adjustment	2,311	4,183,280	(4,404,336)	(58,222)	-	-	-	(276,967)
Depreciation and amortization	78,082,428	78,908,670	330,937,920	115,126,656	-	19,456,052	12,410,458	634,922,184
Reclassification	-	(11,497)	11,497	-	-	-	-	-
Disposals/Retirements	-	(3,743)	(1,962,165)	-	-	-	-	(1,965,908)
<b>Balance as at December 31, 2013</b>	<b>78,082,426</b>	<b>84,932,772</b>	<b>332,888,337</b>	<b>124,043,340</b>	<b>-</b>	<b>23,094,953</b>	<b>57,327,961</b>	<b>700,369,790</b>
Depreciation and amortization	35,658,440	37,761,610	156,944,891	59,344,245	-	8,190,766	5,318,768	303,218,719
Reclassification	-	(70,103)	-	-	-	-	-	(70,103)
Disposals/Retirements	-	(8,521)	-	-	-	(1,251,389)	-	(1,259,910)
Balance as at March 31, 2014	113,740,866	122,615,758	489,833,228	183,387,585	-	30,034,330	62,646,729	1,002,258,496

Net book value as at:

December 31, 2013	3,823,572,878	1,182,659,823	2,589,942,808	4,205,222,477	386,605,819	370,079,836	254,651,295	667,980,107	13,480,715,044
March 31, 2014	3,856,340,081	1,237,693,823	2,510,088,312	4,264,642,353	386,605,819	326,014,682	247,967,555	662,661,339	13,492,013,965

During the period, the Group carried out a review of the recoverable amounts of its property and equipment, no impairment loss was recognized.



## 12. INVESTMENT PROPERTIES

The carrying amounts of the Group's investment properties are as follows:

	Building	Land	Construction- in-progress	TOTAL
<b>COST</b>				
Balance as at December 31, 2012	-	-	-	-
Additions/Effect of business combination	4,704,268,005	6,742,811,023	54,471,693	11,501,550,721
Reclassifications	938,253	(18,427,500)	(6,470,985)	(23,960,233)
Additions	39,753,238	-	212,807,322	252,560,560
Write-offs	-	-	-	-
Disposals	-	-	-	-
<b>Balance as at December 31, 2013</b>	<b>4,744,959,496</b>	<b>6,724,383,523</b>	<b>260,808,029</b>	<b>11,730,151,049</b>
Additions	329,067,486	218,089,124	31,353,527	578,510,136
Reclassifications	-	-	-	-
Write-offs	-	-	-	-
Disposals	-	-	-	-
<b>Balance as at December 31, 2014</b>	<b>5,074,026,982</b>	<b>6,942,472,646</b>	<b>292,161,556</b>	<b>12,308,661,184</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance as at December 31, 2012	-	-	-	-
Depreciation and amortization	58,166,358	-	-	58,166,358
Reclassification	(23,432)	-	-	(23,432)
Disposals/Retirements	-	-	-	-
<b>Balance as at December 31, 2013</b>	<b>58,142,926</b>	<b>-</b>	<b>-</b>	<b>58,142,926</b>
Depreciation and amortization	27,146,963	-	-	27,146,963
Reclassification	-	-	-	-
Disposals/Retirements	-	-	-	-
<b>Balance as at March 31, 2014</b>	<b>85,289,889</b>	<b>-</b>	<b>-</b>	<b>85,289,889</b>
<b>Net book value as at:</b>				
December 31, 2013	4,686,816,571	6,724,383,523	260,808,029	11,672,008,123
March 31, 2014	4,988,737,093	6,942,472,646	292,161,556	12,223,371,295

The investment properties are either leased to outside parties to earn rentals or held for capital appreciation the fair value of which cannot be ascertained as of reporting date since the market for comparable properties is inactive and alternative reliable measurement of fair value are not available. Management believes that carrying amounts approximates fair value.

During the year, the Group carried out a review of the recoverable amounts of its investment properties.

Property rental income earned by the Group from its investment properties, all is leased out under operating leases, amounted to P432,535,479 and nil for the periods ended March 31, 2014 and 2013, respectively.

### 13. INTANGIBLE ASSETS – net

The carrying amounts of the Group's intangible assets follow:

	March 31, 2014	December 31, 2012
Goodwill	P 14,178,483,362	P 13,191,340,917
Trademark	3,709,660,547	3,709,660,547
Customer relationship	889,452,981	889,452,981
Leasehold rights	135,962,388	136,713,077
Computer software - net	73,720,297	73,720,297
	<b>P 18,987,279,575</b>	<b>P 18,000,887,819</b>

### 14. INVESTMENTS AND ACQUISITIONS OF SUBSIDIARIES

The details of investments and acquisitions of subsidiaries are as follows:

#### Investments

	<i>Note</i>	March 2014	December 2013
AFS financial assets	<i>a</i>	379,775,237	379,775,237
Investment in a joint venture	<i>b</i>	60,000,000	60,000,000
		<b>439,775,237</b>	<b>439,775,237</b>

#### *a. AFS Financial Assets*

- On December 4, 2013, the PPCI in relation to Entenso acquired 49.34% equity interest, without voting rights, of San Roque Supermarkets (SRS) for a total cost of P371,896,077. Of the total cost, P249,896,077 was paid in cash and P122,000,000 was paid by the Parent Company which was subsequently applied as deduction to the subscription receivable of Entenso. SRS is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

The PPCI accounted its investment in SRS at cost due to the absence of its significant influence mentioned in paragraphs 5-6 of PAS 28, *Investments in Associate* as discussed in Note 2.

- AFS financial assets also include PLDT and Meralco preferred shares amounted to

P7,879,160 acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Parent Company.

The above AFS Financial assets are carried at cost since there are no observable market data on these related assets (see Note 29).

*b. Investment in a Joint Venture*

On July 8, 2013, PPCI in relation to Entenso entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as both parties may agree. The joint venture is expected to start its operations in 2014. No subsequent transactions occurred after the date of its acquisition.

Both parties subscribed to 6,000,000 common shares and 54,000,000 redeemable preferred shares each with a par value of P1.00 for a total investment of P60,000,000.

The redeemable preferred shares shall have the following features:

- (a) Voting rights;
- (b) Participating in dividends declaration for common shares and may be entitled to such dividends as may be determined and approved by the Board of Directors;
- (c) Entitled to receive out of the assets of the joint venture available for distribution to the parties, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution; and
- (d) Redeemable at the option of the joint venture.

Acquisitions of Subsidiaries

The following are the developments relating to the PPCI's investments in subsidiaries:

*Entenso Equities, Incorporated*

On July 3, 2013, the Parent Company's BOD approved the acquisition of Entenso's outstanding capital stock. On the same day, the BOD approved the increase in authorized capital stock from P5.00 million divided into 50,000 shares at P100 par value to P1.00 billion divided into 10,000,000 shares at P100 par value.

*Company E Corporation*

On January 14, 2013, the PPCI's BOD approved the acquisition of Company E Corporation (the company behind the Eunilaine Foodmart and Grocer E Supermart chains). PPCI acquired 290,000 common shares of Company E representing its total outstanding shares at P1,137.93 per share through cash. Company E has seven supermarkets within Metro Manila, six in Rizal province and two in the province of Cavite. All these fifteen (15) chains will operate the same store as the Parent Company.

*Kareila Management Corporation*

On May 28, 2012, the PPCI issued 766,406,250 new common shares, with P1 par value, from its own authorized but unissued capital in exchange for 1,703,125 common shares, with P100 par value per share of Kareila representing 100% of its outstanding capital stock. The fair market value of the PPCI's shares based on the observable market price as at the date of acquisition is P21.50 per share or P16,477.73 million.

On December 21, 2012, the BOD of Kareila approved the declaration of stock dividends amounting to P329.69 million from its unrestricted retained earnings as at December 31, 2012. The date of record and date of payment are April 15, 2013 and April 30, 2013, respectively.

The BOD of Kareila approved the declaration of dividends from its unrestricted retained earnings as follow:

**December 31, 2013**

Type of Dividend	Date of Dividend Declaration	Shareholders of Record as of	Amount
Cash	November 8, 2013	November 8, 2013	475,000,000
Stock	November 8, 2013	November 8, 2013	625,000,000
			<b>1,100,000,000</b>

*Gant Group of Companies Incorporated (Gant)*

On May 30, 2012, the PPCI acquired 519,111 shares or 100% of the outstanding capital stock of Gant, owner and operator of Parco Supermarket. The investee is engaged in the business of trading consumer products. Acquisition cost amounted to P743.84 million. The Parent Company incurred acquisition-related cost of P0.19 million.

On February 26, 2013, the SEC approved the acquired shares and the application for the merger of the Parent Company with PJSI and Gant. Upon approval by the SEC of the merger, the investment was eliminated and the corresponding goodwill was recognized.

*Puregold Junior Supermarket, Inc. (PJSI)*

The PPCI owns 100% equity interest in PJSI, an entity engaged in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. Acquisition cost amounted to P50.00 million. On April 30, 2012, the PPCI paid P550.00 million to Puregold Junior Supermarket, Inc., a subsidiary, as deposit for future stock subscription for 5,500,000 common shares. Upon approval by the SEC of the merger, the investment and deposit were eliminated and the corresponding goodwill was recognized.

*PPCI Subic Inc*

The PPCI invested P3.13 million in PPCI Subic Inc., an entity incorporated on May 31, 2012. The investment represents 100% of the outstanding capital stock of the investee. PPCI Subic Inc. will operate as a Puregold store within the area of the Subic Bay Economic Zone, Zambales. It started commercial operations on September 20, 2012.

## 15. DEFERRRED OIL AND MINERAL EXPLORATIONS

	Participating Interest	2014	2,013
Oil exploration costs:			
SC 14 21			
Block C2 (West Linapacan)	1.53%	53,595,432	53,595,432
Block B1 (North Matinloc)	13.55%	746	746
Block D	5.84%	8,011,133	8,011,133
		61,607,311	61,607,311
SC 6A			
Octon Block	0.50%	16,187,700	16,560,191
North Block	1.57%	600,419	600,419
		16,788,119	17,160,610
SC 6B (Bonita)	2.11%	6,304,904	6,304,904
SC 51	9.32%	32,815,514	32,815,514
Other oil projects		527,310	527,310
		39,647,728	39,647,728
		118,043,158	118,415,649
Mineral exploration costs:			
Anoling gold project	3%	13,817,326	13,817,326
Gold Projects	100%	12,891,933	12,891,933
Nickel project	100%	19,207,978	19,207,978
Cement project	100%	9,586,212	9,586,212
Other mineral projects		382,338	382,338
		55,885,787	55,885,787
Accumulated impairment losses for unrecoverable deferred mineral exploration costs;			
Balance at beginning of year		(56,092,352)	(23,443,955)
Impairment losses for year			(32,648,397)
Balance at end of year		(56,092,352)	(56,092,352)
		(206,565)	(206,565)
Other deferred charges		620,099	620,099
		118,456,692	118,829,183

All deferred oil and mineral exploration costs are classified as intangible assets on the basis that these costs are recognized in respect of licenses and surveys. These costs were incurred in developing an intangible asset. Oil and mineral explorations are governed by permits issued by the Philippine Government either through DOE under SC or by DENR under Exploration Permit (EP) or MPSA.

## 16. OTHER NONCURRENT ASSETS

This account consists of:

	March 31, 2014	December 31, 2013
Security deposits	P 1,441,306,282	P 884,090,991
Prepaid rent	130,655,467	311,567,064
Others	278,763,153	496,325
	<b>P 1,850,724,902</b>	<b>P 1,196,154,380</b>

## 17. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of:

	March 31, 2014	December 31, 2013
Trade	P 4,641,873,372	P 7,743,335,583
Nontrade	2,635,612,079	2,281,287,429
Accrued expenses	926,597,396	893,924,511
Dividends payable	-	406,661,768
Construction bonds	9,909,004	4,267,853
Statutory payables	58,183,111	180,815,023
Others	19,923,455	100,323,350
	<b>P 8,292,098,417</b>	<b>P 11,610,615,517</b>

The average credit period on purchases of certain goods from suppliers is 60 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Nontrade payables are liabilities of the Group arising from purchase of goods and services not intended for re-selling but essential to its operations.



## 18. LOANS PAYABLE

As at March 31, 2014 and December 31, 2013, the Group has the following outstanding loans payable:

### a. Short-term Loans Payable

The Group entered into the following loan facilities to be used as additional working capital:

	March 2014	December 2013
Short-term note based on 2.5%	75,000,000	75,000,000
Short-term note based on 2.75%	300,000,000	300,000,000
Short-term note based on 3.75%	508,500,000	508,500,000
Short-term note based on 2.5%	189,500,000	313,500,000
Short-term note based on 2.5%	170,000,000	15,000,000
Short-term note based on 4.5%	1,450,000,000	-
Short-term note based on 6.5%	22,344,897	-
	<b>2,715,344,897</b>	<b>1,212,000,000</b>

### b. Long-term Loans Payable

b.1 As at March 31 and December 31, the outstanding loans are as follows:

	March 2014	December 2013
<b>Unsecured Peso Denominated</b>		
Fixed rate note based on 3.5%	P1,991,947,801	P1,991,219,294
Fixed rate note based on 3.25%	960,847,046	960,495,639
Fixed rate note based on 3.5%	500,000,000	500,000,000
Others	3,324,163	
	<b>3,456,119,010</b>	<b>3,451,714,933</b>
Less current portion	-	-
	<b>P3,456,119,010</b>	<b>P3,451,714,933</b>

## 19. OTHER NONCURRENT LIABILITIES

The issued capital of the Group is as follows:

	March 31, 2014	December 31 2013
Accrued rent	P 1,703,851,193	P 1,599,368,798
Deposits and others	378,750,850	20,507,315
	<b>P 2,082,602,043</b>	<b>P 1,619,876,113</b>

## 20. ISSUED CAPITAL

The issued capital of the Group is as follows:

	March 31, 2014		December 31 2013	
Capital stock	P	7,160,506,037	P	1,275,000,000
Additional paid-in capital		9,634,644,229		-
	P	16,795,150,266	P	1,275,000,000

### Capital Stock

Shown below are the details on the movements of ordinary shares.

	2014		2013	
	Shares	Amount	Shares	Amount
Authorized	10,000,000,000	P 10,000,000,000	300,000,000,000	P 3,000,000,000
Issued and fully paid				
Balance, January 1	1,275,000,000	P 1,275,000,000	127,500,000,000	P 1,275,000,000
Issuances	6,130,263,564	6,130,263,564	-	-
Treasury shares	(244,757,527)	(244,757,527)		
	7,160,506,037	P 7,160,506,037	127,500,000,000	P 1,275,000,000

On December 10, 2012, in a special meeting, the Board of Directors (BOD) resolved the following:

- Approval, ratification and confirmation of the subscription of Lucio L. Co Group to the unissued authorized capital stock of the Group from the increase of its authorized capital stock at a subscription price of P15 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74,813,405,682 worth of shares in Puregold Price Club, Inc. and Subsidiaries, Ellimac Prime Holdings, Inc. and Subsidiaries, Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc. and Subsidiary, Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Acquirees"), and the corresponding payment thereof by way of assignment of the shares owned by Lucio L. Co Group in the Acquirees, under the terms and conditions to be determined by the Corporation's BOD.
- That the Chairman and the President are authorized to represent the Group to implement and approve any matter related to the Transaction and directed to execute any and all agreements and documents relating to the Transaction, to negotiate, adjust, revise or change relevant conditions, implementation priority and all other relevant matters of the Transaction and sign and file documents which may be required by the SEC, PSE, and other government agencies and to do all actions necessary to comply with the provisions of the Corporation Code, Securities Regulation Code, and all other rules and regulations relating to the subject matter of this resolution.
- That the Group is authorized to register, if necessary, additional shares with the SEC and to list additional shares with the PSE.

On April 22, 2013, upon approval by the SEC on the increase in the Company's authorized capital stock, SEC confirmed the value of the shares transferred or consideration paid amounting to ₱74,811,096,315. Out of the increase in the authorized capital stock, 4,987,406,421 have been subscribed.

On December 11, 2012, in a special meeting, the stockholders resolved to approve the amendment of the Company's articles of incorporation to increase its authorized capital stock and par value from ₱3 billion divided into 300 billion common shares at a par value of ₱0.01 per share to ₱10 billion divided into 10 billion common shares at a par value of ₱1 per share. On the same meeting, the stockholders resolved to change the name of the Company to Cosco Capital, Inc. The SEC approved the increase in authorized capital stock and the change in the Company's name on April 22, 2013.

In addition, 1,142,857,143 shares were subscribed and issued to subscribers for ₱10.50 per share for a total consideration of ₱12,000,000,001.50 after meeting all the closing conditions.

## 21. REVENUES

An analysis of the Group's revenue for the period is as follows:

	2014	2013
Sale of goods	P 18,954,887,070	P 596,241
Rendering of services	274,726,993	-
	<b>P 19,229,614,062</b>	<b>P 596,241</b>

## 22. COST OF SALES

The Group's cost of sales is composed of the following:

	2014	2013
Cost of sales	P 15,556,258,827	P -
Cost of services	128,216,240	-
	<b>P 15,684,475,067</b>	<b>P -</b>

### Cost of Sales

An analysis of the Group's cost of sales is as follows:

	2014	2013
Inventory, January 1	P 10,354,817,313	P -
Net purchases	16,096,777,737	-
Cost of goods available for sale	26,451,495,905	-
Inventory, March 31 (Note 9)	10,895,278,210	-
	<b>P 15,556,258,827</b>	<b>P -</b>

### Cost of services

An analysis of the Group's cost of services is as follows:

		2014		2013
Utilities	P	82,601,343	P	-
Taxes and licenses		13,782,791		-
Management fees		2,826,678		-
Security services		11,513,627		-
Repairs and maintenance		2,213,009		-
Janitorial services		8,174,626		-
Operator services		466,401		-
Rentals		6,177,869		-
Others		459,896		-
	P	128,216,240	P	-

### **23. OTHER OPERATING INCOME**

An analysis of the Group's other operating income is as follows:

		2014		2013
Concession income	P	288,489,016	P	-
Rent income		79,369,674		-
Display allowance		181,382,825		-
Listing fee		8,525,062		-
Membership fee		53,806,710		-
Miscellaneous		62,308,064		-
	P	673,881,351	P	-

Concession income pertains to the fixed percentage income from sales of concessionaire suppliers' goods sold inside the store.

Display allowance refers to the income received from the suppliers for the additional space for display of the items in the selling area such as end cap modules and mass display.

Rent income relates to the income earned for the store spaces occupied by the tenants.

Membership income pertains to fees from members of PPCI wherein such fees permit only membership, and all other services or products are paid for separately.

Merchandising support income is the amount granted for PPCI's promotion and advertising activities in partnership with suppliers.

Demo/sampling income pertains to the fee paid by the suppliers for the privilege granted by PPCI in allowing a representative of the supplier to conduct a demo or give away samples of their products inside the selling area of the stores.

Miscellaneous account consists of amounts collected from the customers for delivering their purchases, cashiers' overages, sale of used packaging materials and others.

**24. OPERATING EXPENSES**

	2014		2013	
Manpower- Agency served	P	400,128,047	P	
Utilities		362,272,769		
Salaries, wages and allowances		290,242,229		1,796,579
Outside services		259,724,475		1,293,750
Rent expense		215,609,195		
Taxes, permits and licenses		114,231,857		1,668,248
Rent expense - PAS 17		104,528,977		
Supplies		71,361,240		738,789
Repairs and maintenance		53,860,812		
Insurance		34,061,899		17,120
Advertising and promotion		32,412,985		
Selling expenses		23,693,003		
SSS, Medicare and HDMF		20,465,770		
Representation and entertainment		16,442,762		25,885
Disallowed input VAT		14,561,978		
Transportation and travel		12,565,597		1,158,478
Fuel and oil		12,041,769		
Royalty expense		7,319,031		
Donations and contributions		1,919,580		
Concess fee		1,440,591		
Penalties		499,675		
Miscellaneous Expenses		119,656,969		1,279,700
	P	2,169,041,211	P	7,978,549

**25. OTHER INCOME - net**

An analysis of other income (charges) is as follows:

	2014		2013	
Finance income	P	39,047,980	P	7,382,333
Finance cost		(19,252,956)		-
Others		38,661,151		3,155,909
	P	58,456,175	P	10,538,242

## 26. INCOME TAXES

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss for the periods ended March 31 is as follows:

	2014	2013
Income before income tax	1,775,805,666	P 3,080,603
Income tax expense at the statutory income tax rate:		
30%	500,348,994	P 924,181
5%	1,259,056	
Income tax effects of:		
Non-deductible interest expense	6,170,870	(2,214,700)
Non-deductible other expenses	2,779,735	-
Dividend income subjected to final tax	(998,718))	(93,8743)
Interest income subjected to final tax	(12,678,782)	-
Unrecognized DTA	-	2,229,262
	<b>496,881,155</b>	<b>P-</b>

## 27. RETIREMENT BENEFIT COST

The Group has an unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 27, 2013. Valuations are obtained on a periodic basis.

The following table shows reconciliation from the opening balances to the closing balances of defined benefit liability recognized under "Retirement benefits liability" and its components.

The actuarial losses, before deferred income taxes recognized in other comprehensive income are as follows:

	March 2014	December 2013
Cumulative actuarial loss at beginning of year	P3,600,700	P47,238,616
Actuarial loss (gain) due to increase in defined benefit obligation	-	(43,637,916)
Cumulative actuarial loss (gain) at end of year	P3,600,700	P3,600,700

The cumulative actuarial loss, net of deferred income taxes, amounted to P2.52 million and P33.07 million as at March 31, 2014 and December 31, 2013, respectively, as presented in the consolidated statements of changes in equity.

The following were the principal actuarial assumptions at the reporting date:

	March 2014	December 2013
Discount rate	5.32%	5.32%
Future salary increases	8.00%	8.00%



## 28. OPERATING LEASE AGREEMENTS

### The Group as Lessee

Operating leases relate to leases of equipment's, warehouse and office space with lease terms of between 1 to 50 years and renewable thereafter upon mutual agreement of both parties.

As of the reporting dates, the Group's future minimum lease payments for non-cancellable operating leases are as follows:

	2014	2013
Not later than one year	P 2,854,459,530	P 1,889,380,451
Later than one year but not later than five years	6,600,457,542	6,456,845,358
Later than five years	29,201,048,074	29,141,917,253
	<b>P 38,655,965,147</b>	<b>P 37,488,143,062</b>

### The Group as Lessor

Operating leases relate to the investment property owned by the Group with lease terms of between 1 to 50 years and renewable upon mutual agreements between both parties. Leases are generally entered based on a fixed price contract except for some agreement which is based on monthly sales or a certain fixed amount, whichever is higher.

As at March 31, 2014 and December 31, 2013, the Group's future minimum lease for non-cancellable operating leases is as follows:

	2014	2013
Not later than one year	P 1,012,325,456	P 1,1039,375,385
Later than one year but not later than five years	1,845,652,365	1,946,559,536
Later than five years	8,535,064,630	8,535,064,630
	<b>P 11,393,042,452</b>	<b>P 11,590,999,591</b>

## 29. DEPRECIATION AND AMORTIZATION

Details on the depreciation and amortization of the Group's properties are presented below:

	2014	2013
Depreciation of property and equipment	P 303,218,719	P 75,331
Depreciation of investment properties	27,146,963	-
Amortization of intangibles	2,263,963	-
	<b>P 332,629,645</b>	<b>P 75,331</b>



### 30. EARNINGS PER SHARE

The Group's basic and diluted earnings per share are presented below:

#### Basic/Diluted Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the period ended are as follows:

	2014	2012
Income attributable to the equity holders of the Parent Company (a)	816,664,970	1,417,859
Adjusted weighted average number of shares outstanding (b)	7,160,506,037	1,275,000,000
Basic and diluted earnings per share (a/b)	0.114051	0.000024

### 31. FAIR VALUE MEASUREMENTS

#### Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities as at March 31, 2014 and December 31, 2013 are presented below:

	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash in banks and cash equivalents	P 12,725,630,261	P 12,725,630,261	P 14,024,048,097	P 14,024,048,097
Receivables	2,644,232,683	2,644,232,683	2,818,808,266	2,818,808,266
Short-term investments	37,172,246	37,172,246	500,000,000	500,000,000
Security deposits	1,441,306,282	1,441,306,282	884,090,991	884,090,991
Available-for-sale financial assets	49,527,704	49,527,704	40,325,856	40,325,856
	<b>16,894,681,371</b>	<b>16,894,681,371</b>	<b>18,267,273,210</b>	<b>18,267,273,210</b>
<b>Financial Liabilities</b>				
Accounts payable, accrued expenses and other liabilities*	8,233,915,306	8,233,915,306	11,257,028,053	11,257,028,053
Trust receipts payable	33,086,439	33,086,439	16,543,219	16,543,219
Loans payable	6,171,463,908	6,171,463,908	4,663,714,933	4,663,714,933
	<b>P 14,496,648,764</b>	<b>P 14,496,648,764</b>	<b>P 15,937,286,205</b>	<b>P 15,937,286,205</b>

\*Does not include statutory payables

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of available-for-sale financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Due to short-term nature or demand feature of cash in banks and equivalents, receivables, deposit for future stock subscription, and accounts payable, accrued

expenses and other liabilities, Management believes that carrying amount approximates fair value.

- Loans payable pertains to interest bearing loan arrangement, thus, carrying amount approximates fair value.

#### **Fair Value Measurements Recognized in the Statement of Financial Position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available-for-sale financial assets are measured at fair value using the level 1 criteria.

There were no transfers between Level 1 and 2 in the period.

### **32. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group monitors and manages the financial risks relating to the operations through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including currency risk, fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, short-term investments, investments held for trading, accrued interest and other receivables, AFS investments and bank loans. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as rent receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's BOD and management review and agree on the policies for managing each of these risks as summarized below.

#### **Market Risk Management**

##### Foreign Currency Risk Management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters through monitoring foreign currency transactions utilizing forward contracts if necessary.

As of the reporting dates, the Group has no significant exposures to foreign currency risk.

## Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

		March 31, 2014	December 31, 2013
Cash in banks and cash equivalents	P	12,725,630,261	P 14,024,048,097
Receivables		2,644,232,683	2,818,808,266
Short-term investments		37,172,246	500,000,000
Security deposits		1,441,306,282	884,090,991
Available-for-sale financial assets		46,339,899	40,325,856
	<b>P</b>	<b>16,894,681,371</b>	<b>P 18,267,273,210</b>

The table below shows the credit quality by class of financial assets of the Group:

2014	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	12,725,630,261	P -	P -	P -	P -	12,725,630,261
Receivables	1,928,888,243	261,043,414	198,879,525	255,421,501	20,581,380	2,664,814,063
Short-term investment	31,993,114					31,993,114
AFS financial assets	379,775,237					379,775,237
Security deposits	1,441,306,282					1,039,343,934
	<b>16,507,593,137</b>	<b>261,043,414</b>	<b>198,879,525</b>	<b>255,421,501</b>	<b>20,581,380</b>	<b>16,841,556,609</b>

2013	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	14,024,048,097	P -	P -	P -	P -	14,024,048,097
Receivables	1,585,461,228	331,537,784	483,954,238	417,855,016	17,240,832	2,836,049,098
Short-term investment	500,000,000					500,000,000
AFS financial assets	41,002,675					41,002,675
Security deposits	884,090,991					884,090,991
	<b>18,267,950,029</b>	<b>331,537,784</b>	<b>483,954,238</b>	<b>417,855,016</b>	<b>17,240,832</b>	<b>18,285,190,861</b>

### Cash in banks and cash equivalents

The management evaluates the financial condition of the banking industry and bank deposits/investments are maintained with reputable banks only.

### Receivables

Receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

### **Liquidity Risk Management**

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements of the Group:

	Within 1 Year	1 – 5 Years	Total
<b>March 31, 2014</b>			
Accounts payable, accrued expenses and other liabilities*	P 8,233,915,306	P -	P 8,233,915,306
Trust receipts payable	33,086,439		33,086,439
Loans payable	2,715,344,897	3,456,119,010	6,171,463,908
	<b>10,982,346,642</b>	<b>3,456,119,010</b>	<b>14,438,465,653</b>
<b>December 31, 2013</b>			
Accounts payable, accrued expenses and other liabilities	P 11,257,028,053	P -	P 11,257,028,053
Trust receipts payable	16,543,219		16,543,219
Loans payable	1,212,000,000	3,451,714,933	6,171,463,908
	<b>12,485,571,272</b>	<b>3,451,714,933</b>	<b>17,445,035,180</b>

\*Does not include statutory payables

The table hereunder details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Within 1 Year	1 – 5 Years	Total
<b>March 31, 2014</b>			
Cash in banks and cash equivalents	P 12,725,630,261	P -	P 12,725,630,261
Receivables	2,664,814,063	-	2,664,814,063
Short-term investments	37,172,246	-	37,172,246
Security deposits	1,441,306,282	-	1,441,306,282
Available-for-sale financial assets	49,527,704	-	49,527,704
	<b>16,918,450,556</b>	<b>-</b>	<b>16,918,450,556</b>
<b>December 31, 2013</b>			
Cash in banks and cash equivalents	P 14,024,048,097	P -	P 14,024,048,097
Receivables	2,818,808,266	-	2,818,808,266
Short-term investments	500,000,000	-	500,000,000
Security deposits	884,090,991	-	884,090,991
Available-for-sale financial assets	40,325,856	-	40,325,856
	<b>P 18,267,273,210</b>	<b>P -</b>	<b>P 18,267,273,210</b>

### 33. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group manages its capital to ensure that the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure. The Group's overall strategy remains unchanged from 2013.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. The Group is not subject to externally-imposed capital requirements.

The Group's Management reviews the capital structure of the Group on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 1:1 determined as the proportion of net debt to equity.

The gearing ratio at end of the reporting period was as follows:

	March 31, 2014	December 31 2013
Debt	P 6,171,463,908	P 4,663,714,933
Cash and cash equivalents	13,099,225,612	14,744,149,987
Net Debt	(6,927,761,704)	(10,080,435,054)
Equity	56,108,769,791	75,122,296,163
Net debt to equity ratio	(0.12):1	(0.13):1

Debt is defined as long-term and short-term borrowings (excluding derivatives and financial guarantee contracts), while equity includes all capital and reserves of the Group that are managed as capital.



### 34. PFRS 9 RESULT OF IMPACT EVALUATION

The following discusses the quantitative and qualitative result of the impact evaluation on PFRS 9 (2009) or (2010)

The carrying amount of all financial assets that the company has as at March 31, 2014 and December 31, 2013 are as follows:

Financial Assets	Balance as at December 31, 2013 (PhP)	Balance as at March 31, 2014 (PhP)	Qualitative Description	Quantitative Impact
Cash and cash equivalents	14,744,149,987	13,099,225,612	Cash equivalents refer to short term placements in time deposits and SDA in various banks.	<u>Market values</u> Carrying amount approximates fair value primarily due to the relative short-term maturities of these assets.
Receivables-net	2,818,808,266	2,644,232,683	Receivables are from goods sold to customers.	<u>Liquidity risk</u> Liquidity ratio is 196:1 <u>Aging of receivables:</u> Based on aging, receivables amounting to P20.6M is impaired. This has already been covered by setting-up allowance.
AFS financial assets	40,325,856	46,339,899	These refer to debt, equity securities and RTB's with interest ranging from 4.8% to 7.5%. All these securities are tradeable.	<u>Liquidity risk</u> Liquidity ratio is 196:1
<b>Total</b>	<b>17,603,284,109</b>	<b>15,789,798,194</b>		



**SECTION B**

**COSCO CAPITAL , INC.**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

Contents

Pro-forma Statements of Income  
*For the Period Ended March 31, 2014 and 2013*  
*For the Period Ended March 31, 2014 and 2013*

Segment Information

**COSCO CAPITAL, INC. AND SUBSIDIARIES**  
*(Formerly Alcorn Gold Resources Corporation)*  
**PRO-FORMA CONSOLIDATED INCOME STATEMENTS**

For the Period Ended March 31, 2014 and 2013

(In Philippine Peso)

	2014	2013
<b>REVENUES</b>	<b>19,229,614,062</b>	<b>17,145,023,782</b>
<b>COST OF SALES</b>	<b>15,684,475,067</b>	<b>13,834,478,126</b>
<b>GROSS PROFIT</b>	<b>3,545,138,996</b>	<b>3,310,545,656</b>
<b>OTHER OPERATING INCOME</b>	<b>673,881,351</b>	<b>491,905,837</b>
	<b>4,219,020,347</b>	<b>3,802,451,493</b>
<b>OPERATING EXPENSES</b>	<b>2,169,041,211</b>	<b>1,928,179,208</b>
<b>INCOME FROM OPERATIONS</b>	<b>2,049,979,136</b>	<b>1,874,272,284</b>
<b>OTHER INCOME (CHARGES) - net</b>	<b>58,456,175</b>	<b>118,337,838</b>
<b>INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX</b>	<b>2,108,435,311</b>	<b>1,992,610,122</b>
<b>DEPRECIATION AND AMORTIZATION EXPENSE</b>	<b>332,629,645</b>	<b>267,164,838</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,775,805,666</b>	<b>1,725,445,284</b>
<b>INCOME TAX EXPENSE</b>	<b>496,881,155</b>	<b>452,662,019</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>1,278,924,511</b>	<b>1,272,783,265</b>
<b>Net Income Attributable to:</b>		
Equity holders of the Parent Company	<b>816,664,970</b>	<b>801,490,101</b>
Non-controlling interests	<b>462,259,541</b>	<b>471,293,164</b>
	<b>1,278,924,511</b>	<b>1,272,783,265</b>

**COSCO CAPITAL, INC. AND SUBSIDIARIES**  
*(Formerly Alcorn Gold Resources Corporation)*  
**SEGMENT INFORMATION**

<i>(In thousand PhP)</i>	Retail	Real Estate	Liquor Distribution	Holding , Oil and Mining	Elimination	Total
<b>For the Period Ended March 31, 2014</b>						
Revenue	18,384,530	432,535	730,789	13,043	-331,284	19,229,614
Income from operations	1,636,251	268,126	144,251	1,351		2,049,979
Depreciation and amortization and amortization	285,570	40,307	1,399	5,353,542		332,630
Finance cost	11,331	5,616	2,305	-		19,253
Finance income	6,911	360		31,777,066		39,048
Net income for the period	943,387	192,907	112,124	30,507,270		1,278,925
<b>As at December 31, 2014</b>						
Total current assets	15,139,747	3,826,902	2,646,783	11,640,737,988	-4,984,857	28,269,312
Total non-current assets	32,154,603	13,202,702	13,661	77,462,155,124	-75,711,570	47,121,550
Total current liabilities	9,555,011	4,799,628	1,022,362	363,421,573	-3,138,796	12,601,626
Total non-current liabilities	6,209,652	452,475	10,092	8,247,000		6,680,466
<b>For the Period Ended March 31, 2013</b>						
Revenue	16,092,842	402,604	725,000	50,585,241	-126,008	17,145,024
Income from operations	1,407,519	276,494	152,683	37,576,263		1,874,272
Depreciation and amortization expense	214,521	45,975	1,311	5,357,357		267,165
Finance cost	-10,582	-23,101	-2,677	-		-36,360
Finance income	129,508	1,098		7,398,943		138,006
Net income (loss) for the period	961,823	166,934	103,449	40,577,217		1,272,783
<b>As at December 31, 2013</b>						
Total current assets	17,505,064	2,790,388	2,473,482	13,035,851,134	-5,655,259	30,160,985
Total non-current assets	32,120,580	14,055,168	15,147	76,027,191,148	-77,245,316	44,961,312
Total current liabilities	12,882,096	5,434,658	966,607	359,890,987	-5,655,259	13,987,993
Total non-current liabilities	6,157,248	287,751	6,375	8,246,000	-156,138	6,303,482

## **SECTION C**

**COSCO CAPITAL, INC. AND SUBSIDIARIES**  
**KEY PERFORMANCE INDICATORS**  
 March 31, 2014, 2013 and 2012

<b>Performance Indicators</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Return on investment	1.53%	23.00%	6.000%
Profit margin	6.55%	27.66%	11%
EBITDA to interest expense	109.51	n/a	n/a
Current ratio	2.24:1	351.96:1	196.72:1
Asset turnover	0.65x	.81x	.55x
Asset to equity	1.34:1	1.37:1	1:1
Debt to equity ratio	.11:1	Debt free	Debt free