cosco capital
i n c o r p o r a t e d

August 10, 2016

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: Mr. Jose Valeriano B. Zuño III
OIC - Head, Disclosure Department

Subject: SEC 17-Q as of June 30, 2016

GENTLEMEN:

For submission is the attached SEC 17-Q / Second Quarter Consolidated Financial Statements of Cosco Capital, Inc. for CY 2016.

Very truly yours,

Atty. Candy H. Dacanay-Datuon
Assistant Corporate Secretary

COVER SHEET

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SEC Registration Number

COSCO CAPITAL, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,
MANILA

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

ATTY. CANDY DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

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Month | Day

SEC FORM 17-Q

(Form Type)

0 6 | 2 4

Month | Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2016 2nd 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: June 30, 2016

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:

2nd FloorTabacaleraBldg 2, 900 D. Romualdez Sr. St.,
Paco, Manila Postal Code: 1007

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

(632) 257-0851

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 7,405,263,564 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

Please see attached **SECTION A**.

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

The following discussion and analysis 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 Financial Reporting Standards particularly PAS 34, Interim Financial Statements.

II. KEY PERFORMANCE INDICATORS

The following financial ratios are considered by management as key performance indicators of the Group's operating results as well as its financial condition:

- 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 cover interest payments on 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 key performance indicators for the past three interim periods:

Performance Indicators	2016	2015	2014
ROI	4.81%	4.69%	4%
Profit margin	5.44%	5.43%	6%
EBITDA to interest expense	28.86x	21.54x	46.85x
Current ratio	2.53:1	2.68:1	2.49:1
Asset turnover	0.61x	0.60x	0.52x
Asset to equity	1.39:1	1.39:1	1.42:1
Debt to equity ratio	0.39:1	0.39:1	0.15:1

These financial ratios were calculated based on the consolidated financial statements of Cosco Capital, Inc. and its subsidiaries as described more appropriately in Note 1 to the unaudited interim financial statements attached in Annex A hereof.

III. RESULTS OF OPERATION

The table below shows the consolidated results of operations of the Group for the periods ended June 30, 2016 and 2015.

(In Millions)	**2016**	*%*	2015	*%*	***INCREASE (DECREASE)***	*%*
REVENUES	**59,382**	***100.0%***	52,744	*100.0%*	***6,638***	***13.0%***
COST OF SALES/SERVICES	**49,541**	***83.4%***	44,018	*83.5%*	***5,523***	***12.5%***
GROSS PROFIT	**9,841**	***16.6%***	8,725	*16.5%*	***1,115***	***12.8%***
OTHER OPERATING INCOME	**1,524**	***2.6%***	1,380	*2.6%*	***144***	***10.4%***
GROSS OPERATING INCOME	**11,365**	***19.1%***	10,106	*19.2%*	***1,259***	***12.5%***
OPERATING EXPENSES	**6,711**	***11.3%***	5,924	*11.2%*	***787***	***13.3%***
INCOME FROM OPERATIONS	**4,654**	***7.8%***	4,181	*7.9%*	***472***	***11.3%***
OTHER INCOME (CHARGES) - net	**-112**	***-0.2%***	-131	*-0.2%*	***19***	***-14.8%***
INCOME BEFORE INCOME TAX	**4,542**	***7.6%***	4,050	*7.7%*	***492***	***12.1%***
INCOME TAX EXPENSE	**1,312**	***2.2%***	1,184	*2.2%*	***128***	***10.8%***
NET INCOME FOR THE PERIOD	**3,230**	***5.4%***	2,866	*5.4%*	***364***	***13.0%***
Net Income Attributable to:						
Equity holders of the Parent Company	**2,092**	***3.5%***	1,860	*3.5%*	***232***	***12.5%***
Non-controlling interests	**1,138**	***1.9%***	1,006	*1.9%*	***132***	***13.1%***
	3,230	***5.4%***	2,866	*5.4%*	***364***	***13.0%***

Comparison of Results of Operations between June 30, 2016 and 2015

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of ₱59.38 Billion during the six-months period ended June 30, 2016 which reflects an increase of ₱6.64 Billion or representing a growth of 13.0% compared to last year's revenue for the same period of ₱52.74 Billion. The growth in consolidated revenues has been largely driven by a combination of the Group's sustained organic growth from its aggressive stores expansion program for its grocery retail, real estate and liquor distribution business segments as well as revenue contributions realized from the strategic acquisitions made involving its commercial real estate portfolio and investments in specialty retailing business segment.

Growth in Net Income

During the same period, the Group realized a consolidated net income of ₱3.23 Billion which is higher by ₱364 Million representing 13.0% increase as compared to last year's net income of ₱2.87 Billion. Net income attributable to equity holders of the parent company (PATMI) amounted to about ₱2.09 Billion in 2016 which increased by about ₱232 Million or 12.5% as compared to the 2015 PATMI amounting to ₱1.86 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the first six-months of 2016, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to ₱51.06 Billion or an increase of ₱7.91 Billion or about 18.3% growth as compared to the segment's revenue contribution of ₱43.14 Billion for the same period of last year brought about by its continued aggressive stores expansion program and management's combined efforts to boost revenue. Consolidated net income contribution in 2016 amounted to ₱2.27 Billion which increased by ₱260 Million or 13.0% as compared to the net income contribution of ₱2.01 Billion in the same period in 2015.

Real Estate Segment

The commercial real estate business segment contributed ₱802 Million to the Group's consolidated revenue in 2016 representing a growth of about ₱55 Million or 7.3% of the segment's revenue during the same period last year amounting to ₱747 Million. This was mainly attributable to the segment's expanded commercial mall operations and additional acquisitions made in 2015 involving six (6) community mall properties with a GLA of 35,649 sq.m. added to its portfolio and higher income from the oil storage tanks in SBMA. Net income contribution in 2016 amounted to about ₱498 Million which increased by about ₱24 Million or 5.1% as compared to the net income contribution of ₱473 Million in 2015.

Liquor Distribution Segment

Similarly, the liquor distribution business segment contributed about ₱2.12 Billion to the Group's consolidated revenue during the same period in 2016 representing an increase by about ₱29 Million or 1.4% higher as compared to the 2015 revenue contribution of ₱2.09 Million mainly attributable to its aggressive sales and marketing campaign. Net income contribution in 2016 amounted to about ₱235 Million which increased by ₱3 Million or 1.2% as compared to the net income contribution in 2015 amounting to ₱232 Million.

Specialty Retail Segment

Office Warehouse, Inc., which was acquired in April 2014, contributed about ₱740 Million to the Group's consolidated revenue during the first half in 2016 representing an increase by about ₱115 Million or 18.4% higher as compared to the 2015 revenue contribution of ₱625 Million mainly attributable to its stores network expansion program, enhanced product offerings and aggressive sales and marketing campaign. Net income contribution in 2016 amounted to about ₱34 Million which increased by ₱4 Million or 12.2% as compared to the net income contribution in 2015 amounting to ₱30 Million.

On the other hand, Liquigaz Philippines Corporation, which was acquired on July 21, 2014, contributed about ₱4.66 Billion to the Group's consolidated revenue during the same period in 2016 representing a decrease by about ₱1.47 Billion or 24.0% lower as compared to the 2015 revenue contribution of P6.14 Billion mainly attributable to continuing depressed global petroleum and gas prices in 2016. Despite the decline in revenue, net income contribution during the first half in 2016 has been sustained at about ₱268 Million which increase by ₱40 Million or 17.5% as compared to the net income contribution in 2015 amounting to ₱228 Million.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the period ended June 30, 2016, the Grocery Retail segment posted a consolidated net sales of ₱51,058 million for an increase of ₱7,915 million or a growth of 18.3% compared to ₱35,919 million in the same period of 2015. New stores put up in 2015 were fully operating in 2016 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores/outlets put up as well as acquisitions made in 2015. Like for like consolidated sales performance indicators of the group for the period ended June 30 are as follow:

	PGOLD		S&R	
	2016	2015	**2016**	2015
Net Sales	**7.0%**	3.6%	**2.7%**	1.3%
Net Ticket	**6.7%**	5.5%	**-0.9%**	-2.6%
Traffic	**0.2%**	-1.8%	**3.7%**	4.0%

Gross Profit

For the period ended June 30, 2016, the Grocery Retail segment realized an increase of 14.7% in consolidated gross profit from ₱7,224 million in 2015 at 16.2% margin to ₱8,286 million at 16.7% margin in the same period of 2015, driven by strong sales growth from new and old stores and consistent and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income increased by ₱144 million or 10.8% from ₱1,337 million in the first half of 2015 to ₱1,481 million in the same period of 2016. This is attributable to increase in display allowance, listing fee and other supplier supports driven mainly by new stores offering new spaces for product displays and booths for third party retailers, new product listings and other promotions to increase customer and supplier’s supports.

Gross Operating Income

Gross operating income therefore realized during the first half of 2016 amounted to ₱9,767 at a gross operating margin of 19.1% which grew by 14.1% from the 2015 level of ₱8,565 at 19.8% margin.

Operating Expenses

Operating expenses increased by ₱796 million or 14.0% from ₱5,701 million in the six-month period ended June 30, 2015 to ₱6,497 million in the same period of 2016. The incremental operating expenses were mainly attributable to manpower costs, as well as rent expenses covering new lease contracts, depreciation expense and taxes, all related to the establishment and operation of new organic and acquired stores.

Net Income

For the period ended June 30, 2016, the Grocery Retail segment earned a consolidated net income of ₱2,267 million at 4.4% net margin and an increase of 13.0% from ₱2,006 million at 4.7% net margin in the same period of 2015 .

Commercial Real Estate

The Group's Real Estate Segment posted ₱1.15 Billion in revenues in the six-month period ended June 30, 2016 or a 1.5% increase from P1.13 Billion in the previous year. The acquisition of six (6) community malls in 2015, which expanded the Group's commercial mall portfolio, and the higher capacity utilization of the oil storage tanks facility in SBMA, mainly contributed to the increase of the segment's revenue.

Capital expenditures program for the current period include the refurbishment and rehabilitation of the six (6) community malls acquired in 2015 as well as the establishment of two (2) community malls located in Marikina, Rizal and Binan, Laguna.

Income from operations before depreciation increased by ₱14 Million from ₱740 Million in 2015 to ₱754 for the six-month period ended June 30, 2016.

Real Estate Segment's net income for the period amounted to ₱498 Million or a 5.1% increase from last year's ₱473 Million brought about by growth in revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to ₱2.38 Billion in 2016 or 8.2% growth from last year's ₱2.20 Billion. The growth in revenue is still principally driven by its brandy portfolio which accounts for more than 60% of sales augmented by the increase in sales of the spirits sector. Wines and specialty beverages also experienced dramatic growths in the current period and contributed to the segment's overall sales growth.

Income from operations increased to ₱346 Million in 2016 or 1.6% higher from last year's ₱341 Million.

Net income for the 2016 period increased by ₱3 Million from ₱232 Million in 2015 to ₱235 Million in 2016 or 1.2% growth.

Specialty Retail

Office Warehouse

The Group's Specialty Retail Segment was initially established with the acquisition of100% equity interest in Office Warehouse, Inc. that was consolidated with the Group starting May 1, 2014. Office Warehouse operates a chain of specialty retail outlets engaged in selling school and office supplies, technology items, home/office furniture and equipment and related products

As at June 30, 2016, the company had expanded its retail network to 62 stores from 47 stores at acquisition date. Net selling area also increased to 12,404.97 sq.m. or a growth by 15% in 2016 as compared to 2015.

Sales revenues generated increased to ₱741 Million in 2016 or 18.5% higher as compared to the 2015 revenue contribution of ₱625 Million mainly attributable to its continuing stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 9.25% during the first half of 2016.

Net income contribution in 2016 amounted to about ₱34 Million which increased by ₱4 Million or 12.2% as compared to the net income contribution in 2015 amounting to ₱30 Million .

Liquigaz

In July 2014, Cosco Capital, Inc., through a 90%-owned subsidiary, Canaria Holdings, Inc., acquired 100% equity interest in Liquigaz Philippines Corporation, a company engaged in the wholesale and distribution of LPG in the Philippines. Liquigaz operates through its Bataan terminal and depot facility which has a storage capacity of 12,500 MT of LPG supported by its hubs located in Bulacan with a capacity of 75 metric tons with 5 cylinder refilling facilities and another one located in Canlubang, Laguna with a capacity of 40 metric tons.

The company is currently embarking its storage capacity expansion project in Sariyaya, Quezon (Southern Luzon) involving the rehabilitation of an existing 5,100 MT capacity storage tanks for Phase 1 development and the construction of a jetty and additional 12,000 MT storage tanks for Phase 2 development. When completed and fully operational, this facility will serve as the platform for its geographic expansion into the Visayas and Mindanao markets.

Revenues generated in 2016 amounted to ₱4.66 Billion or 24.0% lower as compared to the 2015 revenue contribution of ₱6.14 Billion mainly attributable to the continued depressed state of global petroleum and gas prices in 2016. Despite the decline in revenue, net income contribution in 2016 amounted to ₱268 Million which increased by ₱40 Million or 17.5% as compared to that of 2015 amounting to ₱228 Million.

IV. FINANCIAL CONDITION

Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group:

(In Millions)	**2016**	*%*	2015	*%*	***INCREASE (DECREASE)***	*%*
ASSETS						
Current Assets						
Cash and cash equivalents	**7,862**	*8.2%*	14,541	*14.9%*	***-6,680***	*-45.9%*
Receivables - net	**5,042**	*5.3%*	5,648	*5.8%*	***-606***	*-10.7%*
Available-for-sale financial assets	**10**	*0.0%*	9	*0.0%*	***1***	*10.6%*
Short-term investments	**711**	*0.7%*	562	*0.6%*	***149***	*26.5%*
Investment in trading securities	**38**	*0.0%*	34	*0.0%*	***3***	*9.5%*
Inventories	**18,581**	*19.4%*	16,741	*17.1%*	***1,841***	*11.0%*
Due from related parties	**185**	*0.2%*	156	*0.2%*	***29***	*18.6%*
Prepayments and other current assets	**2,320**	*2.4%*	1,808	*1.9%*	***512***	*28.3%*
	34,748	*36.3%*	39,499	*40.5%*	***-4,751***	*-12.0%*
Noncurrent Assets						
Property and equipment - net	**16,802**	*17.5%*	16,137	*16.5%*	***665***	*4.1%*
Investment properties - net	**15,220**	*15.9%*	14,843	*15.2%*	***377***	*2.5%*
Intangible assets	**22,585**	*23.6%*	22,558	*23.1%*	***27***	*0.1%*
Investments	**992**	*1.0%*	989	*1.0%*	***2***	*0.2%*
Deferred oil and mineral exploration costs	**121**	*0.1%*	121	*0.1%*		*0.2%*
Deferred tax assets - net	**367**	*0.4%*	344	*0.4%*	***23***	*6.7%*
Loans to related parties- noncurrent portion		*0.0%*		*0.0%*		*-100.0%*
Other non-current assets	**4,927**	*5.1%*	3,125	*3.2%*	***1,802***	*57.6%*
	61,013	*63.7%*	58,117	*59.5%*	***2,896***	*5.0%*
TOTAL ASSETS	**95,761**	*100.0%*	97,617	*100.0%*	***-1,855***	*-1.9%*

(In Millions)	**2016**	*%*	2015	*%*	***INCREASE (DECREASE)***	*%*
LIABILITIES AND EQUITY						
LIA BILITIES						
Current Liabilities						
Accounts payable and accrued expenses	**7,915**	***8.3%***	12,175	*12.5%*	***-4,260***	***-35.0%***
Income tax payable	**634**	***0.7%***	1,076	*1.1%*	***-441***	***-41.0%***
Short-term loans payable	**3,793**	***4.0%***	4,316	*4.4%*	***-524***	***-12.1%***
Current portion of long-term borrowing	**120**	***0.1%***	570	*0.6%*	***-450***	***-78.9%***
Trust receipts payable		***0.0%***	5	*0.0%*	***-5***	***-100.0%***
Due to related parties	**806**	***0.8%***	457	*0.5%*	***349***	***76.3%***
Other current liabilities	**467**	***0.5%***	442	*0.5%*	***25***	***5.7%***
	13,735	***14.3%***	19,041	*19.5%*	***-5,306***	***-27.9%***
Noncurrent Liabilities						
Retirement benefit cost	**483**	***0.5%***	480	*0.5%*	***3***	***0.6%***
Deferred tax liabilities	**837**	***0.9%***	759	*0.8%*	***79***	***10.3%***
Long term loans payable - net of debt issue cost	**8,692**	***9.1%***	8,693	*8.9%*	***-1***	***0.0%***
Deposits for future stock subscription	**150**	***0.2%***	150	*0.2%*	-	***0.0%***
Other non-current liabilties	**3,132**	***3.3%***	2,949	*3.0%*	***182***	***6.2%***
	13,294	***13.9%***	13,032	*13.3%*	***262***	***2.0%***
TOTAL LIABILITIES	**27,029**	***28.2%***	32,073	*32.9%*	***-5,044***	***-15.7%***
EQUITY						
Capital stock	**7,405**	***7.7%***	7,405	*7.6%*	-	***0.0%***
Additional paid-in capital	**9,635**	***10.1%***	9,635	*9.9%*	-	***0.0%***
Remeasurement of retirement liability - net of tax	**-29**	***0.0%***	-29	*0.0%*	-	***0.7%***
Reserve for fluctuations in value of AFS financial assets	**6**	***0.0%***	5		***1***	***12.0%***
Treasury shares	**-482**	***-0.5%***	-441	*-0.5%*	***-42***	***9.5%***
Retained earnings	**31,961**	***33.4%***	29,869	*30.6%*	***2,092***	***7.0%***
Total Equity Attributable to Equity Holders of Parent Company	**48,495**	***50.6%***	46,444	*47.6%*	***2,051***	***4.4%***
Non-controlling interest	**20,237**	***21.1%***	19,100	*19.6%*	***1,138***	***6.0%***
TOTAL EQUITY	**68,732**	***71.8%***	65,544	*67.1%*	***3,188***	***4.9%***
TOTAL LIABILITIES AND EQUITY	**95,761**	***100.0%***	97,617	*100.0%*	***-1,855***	***-1.9%***

Current Assets

Cash and cash equivalents amounted to ₱7.86 Billion as at June 30, 2016 with a decrease of ₱6.68 Billion from December 31, 2015 balance or 45.9% decrease due basically to the net effect of the settlement of trade and non-trade payables principally from the Grocery Retail Segment, payment of 2015 cash dividends, settlement of loans and payment for capital expenditures during the period.

Short-term investments increased by 26.5% from December 31, 2015 balance of ₱562 Million to this period's balance of ₱711 Million due mainly to the additional placements made.

Receivables decreased by 10.7% from December 31, 2015 balance of ₱5.65 Billion to this period's balance of ₱5.04 Billion due mainly to the collections of trade and other receivables across all business segments.

Inventories increased by 11.0% from 2015 balance of ₱16.74 Billion to this period's balance of ₱18.58 Billion mainly due to the grocery retail segment's additional stocking requirements for the new and existing stores. Bulk of the inventory account pertains to the merchandise inventory stocks of the grocery retail segment amounting to ₱14.72 Billion.

Prepayments and other current assets increased by ₱512 Million or 28.3% at the end of June 2016, mainly due to the Retail segment's increase in input VAT on purchases of inventory and payment of various expenses, premium payments on new insurance policies covering new stores and advance payment of rent for soon to open stores.

Non-current Assets

As at June 30, 2016 and December 31, 2015, total non-current assets amounted to ₱61.01 Billion or 63.7% of total assets, and ₱58.12 Billion or 59.5% of total assets, respectively, for an increase of ₱2.90 Billion.

Property and equipment pertains principally to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment increased by ₱665 Million or 4.1% from ₱16.14 Billion in December 2015 to ₱16.80 Billion in June 2016 due principally to additional capital expenditures incurred.

Investment properties pertains to rental properties consisting of land, buildings and equipment owned by the Commercial Real Estate segment. Book values of property and equipment increased by ₱377 Million from ₱14.84 Billion in December 2015 to ₱15.22 Billion in June 2016.

Deferred tax assets increased by ₱23 Million or 6.7% from ₱344 Million in December 2015 to ₱367 Million in June 2016 resulting mainly from additional deferred tax assets.

Other non-current assets increased by ₱1.08 Million from ₱3.12 Billion in December 2015 to ₱4.92 Billion in June 2016. About 50% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits and advance rentals in relation to new leases acquired for new stores development for the Grocery Retail segment as well as accrued rental income pertaining to future periods in accordance PAS 17.

Current Liabilities

As at June 30, 2016 and December 31, 2015, total current liabilities amounted to ₱13.73 Billion and ₱19.04 Billion respectively, for a decrease of ₱5.30 Billion or 27.9%.

About 72.0% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate segment, suppliers of Liquor Distribution and Specialty Retail segment. The decrease by ₱4.26 Billion or 35.0% was primarily due to net settlement of trade and non-trade liabilities and payment of dividends by the Grocery Retail, Real Estate, Specialty and Parent Company during the period.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail Segment. The decrease by ₱441 Million from ₱1.07 Billion as at December 31, 2015 to ₱634 Million as at June 30, 2016 is mainly due to settlement of income tax dues in December 2015 and 1st quarter of 2016.

Short-term loans payable decreased by ₱524 Million mainly due to settlements made during 2016 principally by the Grocery Retail and Liquor Distribution segments and Parent Company.

Current portion of long-term borrowing decreased by ₱450 Million mainly due to settlements made during 2016 by the Grocery Retail segment.

Noncurrent Liabilities

As at June 30, 2016 and December 31, 2015, total non-current liabilities amounted to ₱13.29 Billion and ₱13.03 Billion, respectively, for an increase of ₱262 Million or 2.0% significantly attributable to the additional accrued rent by the Grocery Retail segment.

Deferred tax liabilities increased by ₱79 Million or 10.3% mainly due to the additional deferred tax recognized.

Other non-current liabilities, which is primarily composed of non-current accrued rent, increased by ₱182 Million or 6.2% from ₱2.95 Billion as at December 31, 2015 to ₱3.13 Billion as at June 30, 2016 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 USES OF CASH

A brief summary of cash flow movements is shown below:

	For the Six-month period ended June 30	
	2016	2015
Net cash used in operating activities	**₱ (2,487,786,003)**	₱ (3,549,807,817)
Net cash used investing activities	**(2,019,480,615)**	(2,624,339,827)
Net cash used in financing activities	**(2,172,321,662)**	(1,322,915,724)
Net decrease in cash and cash equivalents	**₱ (6,679,588,280)**	₱ (7,497,059,338)

Net cash used in operating activities during the current period are basically attributable to the net effect of the net settlement of trade and non-trade payable accounts by the Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments.

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment and additional capital expenditures and short term investments by the Real Estate segment.

Net cash inflows used in financing activities principally resulted from the net settlements of bank loans by the Grocery Retail and Liquor Distribution segments during the period, payment of 2015 cash dividends declared and buyback of shares by the Parent Company.

Management believes that the current levels of internally generated funds and its present cash position enables the Group to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities.

VI. MATERIAL EVENTS AND UNCERTAINTIES

(i) 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;

(ii) 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;

(iii) There are no contingent liabilities or assets since the last statement of financial position period;

(iv) Sources of liquidity – Funding for the current year will be sourced principally from internally generated cash flows to be augmented by short-term borrowings as may be required, as well as the remaining proceeds from the Parent Company's corporate notes issue in May 2014.

(v) 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;

(vi) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(vii) 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;

(viii) There are no significant elements of income not arising from continuing operations;

(ix) 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.

<u>SIGNATURE</u>

Pursuant to the requirements of the Securities and Regulation Code, the Issuer has duly caused this Second Quarter Financial Statements of Cosco Capital, Inc. and its subsidiaries for the year 2016 to be signed on its behalf by the undersigned thereunto duly authorized.

August 10, 2016 in the City of Manila.

COSCO CAPITAL, INC.

By:

LEONARDO B. DAYAO
President

TEODORO A. POLINGA
Comptroller

SECTION A

COSCO CAPITAL, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Contents

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

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016 and December 31, 2015

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		June 30 and December 31	
	Note	**2016**	2015
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P7,861,877,070**	P14,541,465,350
Short-term investments	*5*	**710,862,290**	561,955,978
Receivable – net	*6*	**5,041,700,776**	5,648,133,162
Inventories	*7, 20*	**18,581,283,881**	16,740,693,333
Investments in trading securities	*8*	**37,700,853**	34,432,591
Available-for-sale financial assets	*9*	**9,501,431**	8,587,187
Due from related parties	*25*	**184,980,789**	156,018,039
Prepaid expenses and other current assets	*10*	**2,320,405,030**	1,808,073,603
Total Current Assets		**34,748,312,120**	39,499,359,243
Noncurrent Assets			
Investments	*11*	**991,505,156**	989,189,640
Property and equipment – net	*12*	**16,802,342,830**	16,136,867,778
Investment properties – net	*13*	**15,219,778,465**	14,843,132,984
Intangibles and goodwill - net	*14*	**22,584,670,903**	22,558,070,024
Deferred oil and mineral exploration costs - net	*15*	**121,118,889**	120,896,482
Due from related parties - noncurrent portion	*25, 31*	**-**	210,808
Deferred tax assets-net		**366,664,324**	343,672,524
Other noncurrent assets		**4,927,014,513**	3,125,426,304
Total Noncurrent Assets		**61,013,095,080**	58,117,466,544
		P95,761,407,200	P97,616,825,787
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*16, 31, 32*	**P7,915,485,067**	P12,175,189,869
Short-term loans payable	*17, 31*	**3,792,500,000**	4,316,194,073
Current maturities of long - term loans, net of debt issue costs	*17, 31*	**120,000,000**	570,000,000
Income tax payable		**634,140,615**	1,075,502,048
Trust receipts payable	*31, 32*	**-**	5,182,021
Due to related parties	*25, 31, 32*	**805,915,984**	457,157,621
Other current liabilities	*18, 31, 32*	**466,930,127**	441,864,861
Total Current Liabilities		**13,734,971,793**	19,041,090,493
Noncurrent Liabilities			
Long-term loans - net of current maturities and debt issue costs	*17, 31, 32*	**8,692,023,625**	8,693,424,271
Deferred tax liabilities - net	*27*	**837,328,767**	758,795,340
Retirement benefits liability	*26*	**482,855,153**	479,824,597
Deposits for future subscriptions in a subsidiary	*19*	**150,313,060**	150,313,060
Noncurrent accrued rent	*21*	**2,689,255,758**	2,492,888,910
Other noncurrent liabilities	*31*	**442,292,813**	456,530,719
Total Noncurrent Liabilities		**13,294,069,176**	13,031,776,897
Total Liabilities		**27,029,040,969**	32,072,867,390

Forward

		June 30 and December 31	
	Note	**2016**	2015
Equity			
Capital stock	*28*	**7,405,263,564**	P7,405,263,564
Additional paid-in capital	*28*	**9,634,644,229**	9,634,644,229
Treasury stock	*28*	**(482,419,678)**	(440,506,732)
Remeasurements of retirement liability - net of tax	*26*	**(28,762,754)**	(28,576,936)
Reserve for fluctuations in value of AFS financial assets	*9*	**5,578,479**	4,981,351
Retained earnings	*28*	**31,960,932,063**	29,288,613,144
Total Equity Attributable to Equity Holders of Parent Company		**48,495,235,903**	46,444,425,873
Non-controlling interest		**20,237,130,328**	19,099,532,524
Total Equity		**68,732,366,231**	65,543,958,397
		P95,761,407,200	P97,616,825,787

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Periods Ended June 30 2016	2015
REVENUES			
Net sales		**P58,579,123,652**	P51,995,532,486
Services		**802,222,467**	747,607,668
Production lifting		**209,786**	566,755
		59,381,555,905	52,743,706,909
COST OF SALES AND SERVICES			
Cost of sales	20	**49,074,645,382**	43,558,009,035
Cost of services	20	**466,379,544**	460,355,899
		49,541,024,926	44,018,364,934
GROSS PROFIT		**9,840,530,979**	8,725,341,976
OTHER OPERATING INCOME	22	**1,524,174,277**	1,380,431,617
OPERATING EXPENSES	23	**6,711,104,435**	5,924,374,367
INCOME FROM OPERATIONS		**4,653,600,821**	4,181,399,226
OTHER INCOME (EXPENSES)			
Interest expense	17	**(198,220,858)**	(225,092,536)
Interest income		**61,772,103**	54,324,029
Others - net	24	**24,700,030**	39,557,544
		(111,748,725)	(131,210,962)
INCOME BEFORE INCOME TAX		**4,541,852,096**	4,050,188,264
INCOME TAX EXPENSE	27	**1,311,942,625**	1,184,157,326
NET INCOME		**3,229,909,471**	2,866,030,939
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to profit or loss in subsequent periods			
Unrealized fair value gains (losses) on available for sale financial assets	9	**597,128**	(398,883)
Items that will never be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit liability	26	**(185,818)**	-
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**411,310**	(398,883)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P3,230,320,781**	P2,865,632,056
Net income attributable to:			
Equity holders of the Parent Company		**P2,092,311,666**	P1,860,041,315
Non-controlling interests		**1,137,597,805**	1,005,989,624
		P3,229,909,471	P2,866,030,939
Total comprehensive income attributable to:			
Equity holders of the Parent Company		P2,092,741,559	P1,859,642,433
Non-controlling interests		1,137,579,223	1,005,989,623
		P3,230,320,782	P2,865,632,056
Basic/Diluted earnings per share attributable to equity holders of the Parent Company	30	**P0.293074**	P0.260123

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES

(Formerly Alcorn Gold Resources Corporation)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended June 30, 2016 and 2015

(In Philippine Peso)

	2016	2015
REVENUES	**30,670,482,253**	27,128,943,764
COST OF SALES AND SERVICES	**25,634,975,683**	22,871,355,186
GROSS PROFIT	**5,035,506,570**	4,257,588,578
OTHER OPERATING INCOME	**785,387,425**	784,587,467
GROSS OPERATING INCOME	**5,820,893,995**	5,042,176,045
OPERATING EXPENSES	**3,530,034,726**	3,005,156,392
INCOME FROM OPERATIONS	**2,290,859,269**	2,037,019,653
OTHER INCOME (CHARGES) - net	**(43,638,908)**	(82,337,143)
INCOME BEFORE INCOME TAX	**2,247,220,361**	1,954,682,510
INCOME TAX EXPENSE	**673,453,827**	575,902,801
NET INCOME FOR THE PERIOD	**1,573,766,534**	1,378,779,709
Net Income Attributable to:		
Equity holders of the Parent Company	**1,014,242,708**	901,105,618
Non-controlling interests	**559,523,826**	477,674,091
	1,573,766,534	1,378,779,709
Basic earnings per share	***0.14184***	*0.12584*

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Notes 1 and 28)	Additional Paid-in Capital (Note 28)	Treasury Stock	Remeasurements of Retirement Liability Net of Tax (Note 26)	Reserve for Fluctuations in Value of AFS Financial Assets	Retained Earnings	Non-controlling Interest	Total Equit
As at December 31, 2014	P7,405,263,564	P9,634,644,229	P(252,620,619)	P(49,793,434)	P6,932,418	P25,925,960,160	P17,008,378,019	P59,678,764,3
Acquisition of stocks	-	-	(96,288,780)	-	-	-	-	(96,288,78
Total comprehensive income (loss)								
Net income for the year	-	-				1,860,041,315	1,005,989,623	2,866,030,9
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	(398,883)	-	-	(330,5
Total comprehensive income	-	-	-	-	(398,883)	1,860,041,315	1,005,989,623	1,493,458,7
As at June 30, 2015	7,405,263,564	9,634,644,229	(348,909,399))	(49,793,434)	6,533,535	27,786,001,475	18,014,367,642	62,448,107,6
As at December 31, 2015	7,405,263,564	9,634,644,229	(440,506,732)	(28,576,936)	4,981,351	29,868,620,397	19,099,532,524	65,543,958,3
Acquisition of treasury stocks	-	-	(41,912,946)	-	-	-	-	(41,912,94
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	2,092,311,666	1,137,597,805	3,229,909,4
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	597,128	-	-	597,1
Remeasurement losses on defined benefit liability - net of tax	-	-	-	(185,819)	-	-	-	(185,8
Total comprehensive income	-	-	-	(185,819)	597,128	1,078,068,958	578,073,980	1,656,554,2
As at June 30, 2016	P7,405,263,564	P9,634,644,229	P(482,419,678)	P(28,762,754)	P5,578,479	P31,960,932,063	P20,237,130,329	P68,732,366,2

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Periods Ended June 30 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P4,541,852,097**	P4,050,188,264
Adjustments for:			
Depreciation and amortization	*12, 13, 14*	**872,683,986**	798,941,063
Interest expense	*17*	**198,220,858**	225,092,536
Rent expense in excess of billings		**196,366,848**	204,048,092
Unrealized foreign exchange loss	*24*	**4,749,127**	(269,661)
Retirement benefits cost	*26*	**2,821,593**	2,821,593
Share in net income of joint venture		**(19,259)**	(458,488)
Dividend income	*24*	**(819,720)**	(8,929,630)
(Gain) Loss on disposal of property and equipment	*24*	**(900,000)**	-
Share in net income of associates		**(2,519,745)**	(20,061,318)
Unrealized loss (gain) in trading securities	*8, 24*	**(3,268,262)**	221,535
Interest income		**(61,772,103)**	(54,324,029)
Reclassification		**-**	(930,092)
Provision for doubtful accounts		**-**	11,294,211
Operating income (loss) before changes in working capital		5,747,395,420	5,207,634,076
Decrease (increase) in:			
Receivables-net		606,432,386	1,893,466,516
Inventories		(1,840,590,548)	(1,358,705,783)
Prepaid expenses and other current assets		(751,382,534)	(998,111,858)
Due from related parties		(28,751,942)	(214,740,540)
Other non-current assets		(1,801,588,208)	(1,851,299,963)
Increase (decrease) in:			
Accounts payable and accrued expenses		**(3,100,226,386)**	(4,752,969,694)
Trust receipts payable		**(5,182,021)**	1,573,230
Due to related parties		**348,758,363**	46,002,953
Other current liabilities		**25,065,266**	(87,094,410)
Other noncurrent liabilities		**182,128,942**	204,770,276
Cash generated from operations		**(617,941,262)**	(1,909,475,197)
Income taxes paid		**(1,713,386,821)**	(1,410,019,623)
Interest paid		**(151,652,300)**	(225,092,536)
Retirement benefits paid	*26*	**(56,493)**	(5,486,092)
Net cash used in operating activities		**(2,483,036,876)**	(3,550,073,448)

Forward

	Note	Periods Ended March 31 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**61,772,103**	54,324,029
Proceeds from disposal of property and equipment		**2,334,292**	-
Dividends received		**819,720**	8,929,630
Decrease (increase) in oil and mineral exploration		**(222,407)**	342,648
Additions to intangibles	*14*	**(9,784,132)**	(503,916,350)
Additions to short-term investments	*5*	**(148,906,312)**	(138,428,646)
Additions to investment properties	*13*	**(460,841,666)**	(909,048,233)
Additions to property and equipment	*12*	**(1,464,652,213)**	(1,089,262,743)
Proceeds from sale of available-for-sale financial assets		**-**	4,000,000
Additions to investments in trading securities		**-**	(1,280,162)
Net cash used in investing activities		**(2,019,480,615)**	(2,624,339,827)
CASH FLOWS FROM FINANCING ACTIVITIES			
Buyback of capital stocks		**(42,476,395)**	(96,288,780)
Net settlements of loans		**(774,000,000)**	(310,786,309)
Cash dividends paid		**(1,355,845,267)**	(915,840,635)
Net cash used in financing activities		**(2,172,321,662)**	(1,322,915,724)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(4,749,127)**	269,661
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,679,588,280)**	(7,497,059,338)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**14,541,465,350**	15,681,010,818
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*4*	**P7,861,877,070**	P8,183,951,480

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Cosco Capital, Inc. (the "Parent Company" or "Cosco"), formerly Alcorn Gold Resources Corporation, 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 Parent Company's shares of stock are traded in the Philippine Stock Exchange (PSE) since September 26, 1988, the same date the Parent Company attained its status of being a public company.

On October 8, 1999, the stockholders approved the amendment of the primary purpose of the Parent Company 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. As a holding company, Cosco may engage in any business that may add to its shareholders' worth.

On December 10, 2012, in a special meeting, the Board of Directors ("Board" or "BOD") approved the subscription of the "Lucio L. Co Group" to the unissued authorized capital stock of the Parent Company from the proposed increase in the authorized capital stock of the Parent Company at a subscription price of P15 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74,813,405,685 worth of shares in Puregold Price Club, Inc., Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Subsidiaries"), and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in these Subsidiaries, under the terms and conditions to be determined by the Corporation's BOD.

On December 11, 2012, in a special meeting, the stockholders approved the amendment of the Parent Company's articles of incorporation to increase its authorized capital stock and par value from P3 billion divided into 300 billion common shares at a par value of P0.01 per share to P10 billion divided into 10 billion common shares at a par value of P1 per share. On the same meeting, the stockholders resolved to change the name of the Parent Company from Alcorn Gold Resources Corporation into Cosco Capital, Inc. and to reorganize and spin-off its oil and mineral assets and operations into a wholly-owned subsidiary.

On April 22, 2013, the SEC approved the change in the name of the Parent Company and the increase in its authorized capital stock with the corresponding change in par value. Further, the SEC confirmed the final number of subscribed shares of 4,987,406,421 at an aggregate revised subscription price of P74,811,096,315 which will be paid through assignment of shares (share swap). The transaction is exempt from the registration requirements of the Securities Regulation Code of the Philippines.

On May 31, 2013, pursuant to the SEC-approved increase of capital stock and share swap transaction, the Parent Company implemented the following: (a) issuance and listing of 4,987,406,421 new shares of the Parent Company; (b) cross trade at the PSE of Puregold Price Club, Inc. shares to the Parent Company as consideration for the issuance of the new shares; (c) issuance to the subscribers, the Lucio L. Co Group, pursuant to the share swap; and (d) special block sale at the PSE of 1,600,000,000 of the new shares placed to Qualified Institutional Buyers transacted at PSE at P10.50 per share.

As a result of the above transaction, the entities presented on the table below became the subsidiaries of the Parent Company. The transaction has been accounted for as a business combination under common control, using the pooling of interest method. As allowed under PIC Q&A 2012-01, the pooling of interest method has been applied prospectively from the acquisition date. The assets and liabilities acquired are recognized at the respective book values or carrying amounts in the entities from June 1, 2013. The difference between the book values of the net assets acquired and the consideration paid or equity instruments issued is recognized in equity, under retained earnings account. The profit or loss of the subsidiaries from June 1, 2013 to December 31, 2013 are consolidated into the Parent Company. Comparative periods have not been restated.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as "the Group"):

	Percentage of Ownership	
	2016	2015
Puregold Price Club, Inc. and Subsidiaries (PPCI)	**51**	51
Montosco, Inc. (Montosco)	**100**	100
Meritus Prime Distributions, Inc. (Meritus)	**100**	100
Premier Wine and Spirits, Inc. (Premier)	**100**	100
Nation Realty, Inc. (NRI) *(1)*	**100**	100
118 Holdings, Inc. (118)	**100**	100
Patagonia Holdings Corp. (PHC)	**100**	100
Ellimac Prime Holdings, Inc. (EPHI)	**100**	100
Fertuna Holdings Corp. (FHC)	**100**	100
Pure Petroleum Corp. (PPC)	**100**	100
Alcorn Petroleum and Minerals Corporation (APMC)	**100**	100
NE Pacific Shopping Centers Corporation (NPSCC) *(2)*	**100**	100
Office Warehouse, Inc. (OWI) *(3)*	**100**	100
Canaria Holdings Corporation (Canaria) *(4)*	**90**	90
Liquigaz Philippines Corporation (LPC) *(5)*	**90**	90
Calor Philippines Holdings, Inc. (Calor) *(4)*	**90**	90

(1) *The merger of Nation Realty, Inc., Go Fay & Co, Inc., SVF Corporation and 999 Shopping Mall, Inc. (Nation Realty, Inc. as the absorbing entity), was approved by SEC on January 29, 2014.*

(2) *Acquired on February 28, 2014.*

(3) *Acquired on May 1, 2014.*

(4) *Acquired on July 17, 2014*

54) *Acquired on July 21, 2014*

The following table summarizes the information relating to PPCI that has material NCI, before any intra-group elimination.

	June 30 and December 2016	2015
Non-controlling interest percentage	**49%**	49%
Current assets	**P20,207,716,283**	P24,615,152,599
Noncurrent assets	**36,576,642,903**	35,829,275,395
Current liabilities	**10,131,892,255**	(16,207,423,386)
Noncurrent liabilities	**5,973,861,144**	(5,823,787,846)
Net assets	**40,678,605,787**	38,413,216,762
Carrying amount of non-controlling interests	**P19,932,516,836**	18,822,476,213
Revenue	**P51,057,744,222**	P95,968,942,223
Net income for the period/year	**2,266,818,269**	5,001,871,585
Other comprehensive income	**-**	41,311,137
Total comprehensive income	**P2,266,818,269**	P5,043,182,722
Net income allocated to noncontrolling interest	**1,156,077,317**	2,450,917,077
Other comprehensive income allocated to non-controlling interests	**-**	(20,242,457)

Puregold Price Club, Inc.
Incorporated and registered with the SEC on September 8, 1998 to engage 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. Its shares are listed in the Philippine Stock Exchange (PSE) since October 5, 2011 with stock symbol of PGOLD.

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

Subsidiaries	Percentage of Ownership 2016	2015
Kareila Management Corporation (KMC)	**100**	100
S&R Pizza (Harbor Point), Inc. [(d)]	**100**	100
PPCI Subic, Inc. (PSI)	**100**	100
Entenso Equities Incorporated (Entenso)	**100**	100
Goldtempo Company Incorporated (Goldtempo) [(b)]	**100**	100
Daily Commiodities, Inc. (DCI) [(c)]	**100**	100
First Lane Super Traders Co., Inc. (FLSTCI) [(c)]	**100**	100

(a) *Acquired on January 14, 2013 through a stock acquisition. On April 1, 2015, Company E was merged with PPCI.*

(b) *Acquired on August 24, 2015 through Entenso which subsequent acquired the significant assets of Bargain City, Inc,. Multi-Merchantrade Inc. and Superplus Corporation.*

(c) *Acquired on February 3, 2015.*

(d) *A wholly-owned subsidiary of KMC incorporated on May 15, 2015.*

Montosco, Inc.
Incorporated and registered with the 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 the 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 the SEC on July 19, 1996 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 the 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 erected on any land's 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.

On November 28, 2013, NRI's Stockholders and BOD approved the merger of NRI being the surviving entity, with SVF Corporation, 999 Shopping Mall, Inc. and Go Fay & Co., Incorporada (collectively referred to as the "Absorbed Companies"). The merger was approved by the SEC on January 29, 2014.

118 Holdings, Inc.
Incorporated and registered with the SEC on November 11, 2008 to invest, purchase, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property of 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 or 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, 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 the 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 and description, including shares of stock, 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 the SEC on December 10, 2001. It is principally involved in real estate leasing.

Fertuna Holdings Corp.
Incorporated and registered with the 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 of 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 the 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.

Alcorn Petroleum and Minerals Corporation
Incorporated and registered with the SEC on July 5, 2013 primarily 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 by-products thereof and etc.

NE Pacific Shopping Centers Corporation
Incorporated and registered with the SEC on August 14, 1996 to primarily engage in the establishment and management of shopping malls.

On February 28, 2014, Cosco acquired all the shares of NPSCC from NE, Inc. and Metro Pacific Investments Corp. Consequently, NPSCC became a wholly-owned subsidiary of Cosco.

Office Warehouse, Inc.
Incorporated and registered with the SEC on August 20, 1997 primarily to engage in the trading of office supplies both on wholesale and retail basis. OWI started commercial operations in April 1998.

On May 1, 2014, Cosco acquired all the shares of OWI from its previous owners. Consequently, OWI became a wholly-owned subsidiary of the Cosco.

Canaria Holdings Corporation
Incorporated and registered with the SEC on June 5, 2013 primarily to invest in, purchase, subscribed for, or otherwise acquire and own, hold, use, develop, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and securities, contracts or obligations of any corporation or corporations, association or associations, domestic or foreign for whatever lawful purpose or purposes may have been organized, and to pay therefore in whole or in part in cash or by exchanging therefore stocks, bonds or other evidences, of indebtedness or other securities, of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, notes, evidence of indebtedness or other securities, contracts, or obligations, to receive, collect and dispose of the interest, dividends and income arising from such property and to possess and exercise in respect thereof, all the rights, stocks so owned. In no case, however, shall the corporation engage a stockbroker or dealer in securities or and an investment house, mutual fund of trust company.

On July 17, 2014, the previous owner of Canaria entered into an agreement with Cosco to sell all their shares, rights, title and interest in Canaria to Cosco. On the same date, Cosco subscribed additional shares amounting to thirty-two thousand five hundred (32,500) common shares from the unissued shares of Canaria. Further, the remaining five thousand (5,000) common shares were subscribed by an individual through PR Gaz Holdings, Inc or "PGHI". Consequently, Canaria became 90% owned by Cosco and 10% owned by PGHI.

The following table summarizes the information relating to CHC's NCI, before any intra-group elimination.

	June 30 and December 31	
	2016	2015
Non-controlling interest percentage	**10%**	10%
Current assets	**P2,962,181**	P2,960,330
Noncurrent assets	**3,528,450,757**	3,528,491,753
Current liabilities	**129301**	(128,801)
Noncurrent liabilities	**3,429,344,744**	(3,429,215,443)
Net assets	**102,068,193**	102,107,839
Carrying amount of non-controlling interests	**P10,206,819**	10,210,784
Revenue	**P-**	191,788,799
Net income for the period/year	**1,351**	97,220,341
Other comprehensive income	-	-
Total comprehensive loss	**P1,351**	97,220,341
Net income` allocated to noncontrolling interest	**P1,216**	P9,722,034

Liquigaz Philippines Corporation
Incorporated and registered with the SEC on July 26, 1995 primarily to engage in the business of import, export, storage and transshipment of liquefied petroleum gas (LPG), filling and distribution of LPG cylinders to dealers, distribution of LPG in bulk to industrial, wholesale and other customers, installation of equipment at the site of LPG users, and any other activity related to LPG distribution. On August 24, 2009, the SEC approved the amendment of the LPC's Articles of Incorporation to specifically include management and operation of service stations providing alternative fuel, such as Automotive Liquefied Petroleum Gas (Autogas) but not limited to LPG.

Prior to the acquisition and transfer, LPC is a wholly-owned subsidiary of SHV Calor Asia B.V. or "SHV Calor", a company incorporated and domiciled in Utrecht, Netherlands, whose ultimate parent is SHV Holdings N.V., also a Dutch company.

On November 21, 2013, SHV Calor entered into a Share Sale and Purchase agreement with PR Gaz, Inc. or "PR Gaz" to sell SHV Calor's shareholdings in LPC subject to compliance with certain terms and conditions as embodied in the agreement.

On July 21, 2014, PR Gaz entered into an agreement with Canaria to sell, cede, transfer and convey all of its rights, interest and title in LPC. Canaria acquired 826,530 shares or 100% of the issued and outstanding share capital of LPC. Consequently, Canaria became the parent company of LPC which made it 90% - owned by Cosco.

The following table summarizes the information relating to LPC's NCI, before any intra-group elimination.

	June 30 and December 31	
	2016	2015
Non-controlling interest percentage	**10%**	10%
Current assets	**P2,058,692,412**	P2,373,511,526
Noncurrent assets	**1,315,389,040**	1,352,608,941
Current liabilities	**642,698,822**	(1,255,853,179)
Noncurrent liabilities	**30,316,293**	(27,285,737)
Net assets	**2,701,066,337**	2,442,981,551
Carrying amount of non-controlling interests	**P270,106,634**	244,298,155
Revenue	**P4,662,973,599**	P11,854,480,944
Net income for the period/year	**267,516,240**	304,140,889
Other comprehensive income	**(185,818)**	-
Total comprehensive income	**P267,330,422**	P304,140,889
Net income allocated to noncontrolling interest	**P26,751,624**	P30,414,089
Other comprehensive income allocated to non-controlling interests	-	-

Calor Philippines Holdings, Inc.
Incorporated and registered with the SEC on January 12, 1999 primarily to acquire for investment and to sell properties, among others, provided that Calor shall not engage in the business of an open-ended investment company as defined in the Investment Company Act (Republic Act 2629).

Prior to acquisition and transfer, Calor's is 60% owned by Supralex Asia ventures Trading, Inc. or "Supralex" and 40% owned by SHV Calor Asia B.V. or "SHV Calor".

On April 23, 1999, SHV Calor entered into an agreement with LPC to sell, transfer and convey all its right, title and interest in Calor.
On July 15, 2014, Supralex entered into an agreement with Canaria to sell all its rights, title, and interest in Calor. Supralex owned 36,075 share or sixty percent (60%) equity interest in Calor. Consequently, Canaria became the parent company of CPHI that made it 90% - indirectly owned by Cosco.

The following table summarizes the information relating to Calor's NCI, before any intra-group elimination.

	June 30 and December	
	2016	2015
Non-controlling interest percentage	**10%**	10%
Current assets	**P23,692**	P23,692
Noncurrent assets	**41,427,251**	40,304,272
Current liabilities	**33,102,528**	(32,605,310)
Noncurrent liabilities	**3,813,925**	(3,813,925)
Net assets	**4,534,490**	3,908,729
Carrying amount of non-controlling interests	**P453,449**	P390,873
Revenue	**P1,335,288**	P2,603,840
Net income for the period/year	**1,050,944**	2,121,317
Total net income/comprehensive income	**P1,050,944**	P2,121,317
Net income allocated to noncontrolling interest	**P105,094**	P212,132

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

The Parent Company's registered office, which is also its principal place of business, is at 900 Romualdez Street, Paco, Manila.

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

Business Combinations Under Common Control

Business combinations arising from transfer of interest in entities under control are accounted for using the pooling of interest method, prospectively from the acquisition date as allowed under PIC Q&A 2012-01. Under the prospective pooling of interest method, the assets and liabilities acquired are recognized at the book values or carrying amounts recognized in the acquiree's stand alone financial statements from the acquisition date. The difference between the book value of net assets acquired and the consideration paid or equity instruments issued is recognized in equity, under retained earnings. The profit or loss of the acquirees are consolidated from the acquisition date. Comparative periods are not restated.

Business Combinations other than Under Common Control

Business combinations and acquisition of entities other than those under common control are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Subsidiaries

Subsidiaries are entities controlled by the Group. In accordance with PFRS 10 *Consolidated Financial Statements*, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company. Losses applicable to the non-controlling interests in a subsidiary (including components of other comprehensive income) are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Transactions Eliminated on Consolidation
All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in preparing the consolidated financial statements, in accordance with the accounting policy on consolidation. Unrealized losses are eliminated unless costs cannot be recovered.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies for like transactions and other events in similar circumstances.

Basis of Measurement
The Group's consolidated financial statements have been prepared on the historical cost basis of accounting, except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Investments in trading securities	Fair value
Available-for-sale financial assets	Fair value
Net defined liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

Use of Estimates and Judgments
The Group's consolidated financial statements prepared in accordance with PFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company operates and the currency that mainly influences its revenues and expenses.

Classifying Financial Instruments

The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

Determining Fair Value

Fair value is 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. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value from 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 the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss 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' profit amount.

The fair values of the Group's financial instruments are presented in Note 32 to the consolidated financial statements.

Assessing Joint Arrangements
The Group determines the type of joint arrangement in which it is involved by considering its rights and obligations. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. Joint arrangements is classified into two types: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

The Group has determined that its investments in joint arrangements are classified as investments in joint ventures.

As at June 30, 2016 and December 31, 2015, the cost of its investments in joint ventures amounted to P485.48 million and P485.46 million, respectively (see Note 11).

Distinction between Investment Property and Property and Equipment
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Property and equipment or owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

The Group has determined that its properties held by the retail business are classified as owner-occupied properties while the land and building improvements held for lease are investment properties.

Assessment of Computer Software and Licenses and Leasehold Rights
The Group acquired computer software and licenses and leasehold rights to be used for its primary line of business. Based on the following attributes, the Group assessed that the computer software and licenses and leasehold rights are intangible assets since: (1) these are separable; in the case of computer software and licenses, these are not integral part of the related hardware, thus, the Group can sell the software and licenses individually or together with a related contract, asset or liability, and (2) they arose from contractual or other legal rights.

Assessing Lease Agreements
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and arrangement conveys a right to use the asset.

Operating Leases - Group as a Lessee
The Group has entered into various lease agreements as a lessee. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent expense recognized in profit or loss amounted to P979.01 million and P817.80 million in 2016 and 2015, respectively (see Notes 20, 21 and 23).

Operating Leases - Group as a Lessor
The Group has entered into various lease agreements as a lessor to sublease portion of its stores to various lessees. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent income recognized in profit or loss amounted to P186.47 million and P194.60million in 2016 and 2015, respectively (see Notes 21 and 22).

Estimates
The key estimates and assumptions used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

Estimating Allowance for Impairment Losses on Receivables
The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors and, their payment behavior and known market factors. The Group reviews the age and status of the receivable, and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease current assets.

The allowance for impairment losses on receivables amounted to P139.08 million and P149.68 million as at June 30, 2016 and December 31, 2015. The carrying amount of receivables amounted to P5,041.0 million and P5,648.13 million as at June 30, 2016 and December 31, 2015, respectively (see Note 6).

Estimating Allowance for Impairment Losses on AFS Financial Assets
The Group in accordance with PFRSs determines when an AFS financial asset is impaired. This determination requires significant judgment. In making this judgment the Group evaluates, among other factors the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss by transferring the accumulated fair value adjustments recognized in equity on the impaired AFS financial assets to profit or loss. As at June 30, 2016 and December 31, 2015, management believes that changes in fair values as quoted in the market of traded securities remain temporary. Accordingly, no permanent impairment is required to be recognized.

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 (i.e., pre-termination of contracts). The estimate of the NRV is reviewed regularly.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to 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 inventories amounted to P18,581.28 million and P16,740.69 million as at June 30, 2016 and December 31, 2015, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment
The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property and equipment is based on 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. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation, amounted to P16,802.34 million and P16,136.87 million as at June 30, 2016 and December 31, 2015, respectively (see Note 12).

Estimating Useful Lives of Computer Software and Licenses and Leasehold Rights
The Group estimates the useful lives and amortization methods of computer software and licenses and leasehold rights are based on the period and pattern in which the assets' future economic benefits are expected to be consumed by the Group. The estimated useful lives and amortization period of computer software and licenses and leasehold rights are reviewed at each reporting date and are updated if there are changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the computer software and licenses and leasehold rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the estimates used.

Net carrying value of computer software and licenses and leasehold rights amounted to P240.46 million and P247.91 million as at June 30, 2016 and December 31, 2015, respectively (see Note 14).

Impairment of Goodwill, Trademarks and Customer Relationships with Indefinite Lives
The Group determines whether goodwill, trademarks and customer relationships are impaired at least annually. This requires the estimation of the recoverable amounts of the goodwill, trademarks and customer relationships. Estimating recoverable amounts requires management to make an estimate of the expected future cash flows from the cash-generating unit to which the goodwill, trademarks and customer relationships relate and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of goodwill, trademark and customer relationships with indefinite useful lives amounted to P22,344.21 million and P22,310.16 million as at June 30, 2016 December 31, 2015, respectively (see Note 14).

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 proven 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. Proven 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 proven developed reserves are also subject to change.

Proven 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 producing reservoirs. Proven 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 proven developed reserves only include volumes for which access to market is assured with reasonable certainty. All proven developed reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or 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 than 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 (see Note 15).

Estimating Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount 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 reviews its projected performance in assessing the sufficiency of future taxable income.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Group has recognized deferred tax assets amounting to P1,275.43 million and P1,274.95 million as at June 30, 2016 and December 31, 2015, respectively (see Note 26).

Impairment of Non-financial Assets
PFRSs require that an impairment review be performed on non-financial assets other than merchandise inventory and deferred tax assets when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining the recoverable amount of assets requires estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the financial performance.

There were no impairment losses on property and equipment and other non-financial assets recognized in 2016 and 2015.

Estimating Retirement Benefits/Obligation
The determination of the Group's obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rate and salary increase rates. Remeasurements of the retirement benefit obligation are recognized in other comprehensive income and comprise of actuarial gains and losses on the retirement benefit obligation, return on plan assets, excluding amounts included in the net interest of the pension benefit obligation and any change in the effect of the asset ceiling, excluding amounts included in the net interest on the pension benefit obligation.

Retirement benefits liability amounted to P482.85 million and P479.82 million as at June 30, 2016 December 31, 2015, respectively (see Note 25).

Estimating Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provision for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

As at June 30, 2016 and December 31, 2015, the Group does not have any contingent legal or constructive obligation that requires provision.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by the Group, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2015 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to the standards did not have any significant impact on the Group's consolidated financial statements:

- *Annual Improvements to PFRSs: 2010 – 2012 and 2011 - 2013 Cycles* – Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40.

The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

- *Classification and measurement of contingent consideration* (*Amendments to PFRS 3*). The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to *PAS 32 Financial Instruments: Presentation*, rather than to any other PFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss.

  Consequential amendments are also made to *PAS 39 Financial Instruments: Recognition and Measurement* and *PFRS 9 Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, *PAS 37 Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration.

- *Scope exclusion for the formation of joint arrangements (Amendment to PFRS 3)*. PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in *PFRS 11 Joint Arrangements* – i.e. including joint operations – in the financial statements of the joint arrangements themselves.

- *Disclosures on the aggregation of operating segments* (*Amendment to PFRS 8*). PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- *Scope of portfolio exception (Amendment to PFRS 13)*. The scope of the PFRS 13 portfolio exception – whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met – has been aligned with the scope of PAS 39 and PFRS 9.

  PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under PAS 32 – e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.

- *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 – e.g. loans.

- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40).* PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2016

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset – e.g. changes in sales volumes and prices.

- *Annual Improvements to PFRSs 2012 – 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Group's consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

- *Offsetting disclosures in condensed interim financial statements (Amendment to PFRS 7).* PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34 Interim Financial Reporting* require their inclusion.

  The amendment to PFRS 7 is applied retrospectively, in accordance with *PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.*

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

    The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Effective January 1, 2018

- *PFRS 9 Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

Effective January 1, 2019

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

Pending approval of local adoption of PFRS 15 Revenue from Contracts with Customers

- *PFRS 15 Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Deferral of the local implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate

- Philippine Interpretation IFRIC 15 *Agreements for the Construction of Real Estate* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11 *Construction Contracts*, or PAS 18 *Revenue*, and the timing of revenue recognition.

  The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes directly attributable transaction costs.

Subsequent to initial recognition, the Group classifies its financial assets into the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets, and loans and receivables. The Group classifies its financial liabilities as either FVPL financial liabilities or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of the Group's financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group had no HTM investments and FVPL financial liabilities as at June 30, 2016 and December 31, 2015.

Financial Assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL and those classified under this category through the fair value option.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition at FVPL or reclassified under this category through fair value option, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group carries financial assets at FVPL using fair values. Fair value changes and realized gains and losses are recognized as part of profit or loss.

The Group's investments in trading securities are classified under this category.

The carrying amounts of financial assets under this category amounted to P37.70 million and P34.43 million as at June 30, 2016 and December 31, 2015, respectively (see Note 8).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or FVPL financial assets.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Group's cash and cash equivalents, short-term investments, receivables, due from related parties and security deposits are included in this category (see Notes 4, 5, 6, 30 and 31).

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income. Dividends earned on holding AFS equity securities are recognized as income when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include investments in unquoted equity instruments which are carried at cost less impairment, if any, since the fair value cannot be determined reliably in the absence of an observable market data on the related assets.

Other Financial Liabilities

This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Group's accounts payable and accrued expenses, short-term loans and long-term loans payable, due to related parties, trust receipts payable, other current liabilities and noncurrent accrued rent are included in this category (see Notes 16, 17, 18, 30 and 31).

Debt Issue Costs

Debt issue costs are considered as directly attributable transaction costs upon initial measurement of the related debt and are subsequently considered as an adjustment to the amortized cost and effective yield of the related debt using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, or cancelled or expired. When an existing financial 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, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statements of financial position.

Merchandise Inventory

Merchandise inventory is stated at the lower of cost and NRV. Cost is determined using the moving average method. Costs comprise of purchase price, including duties, transport and handling costs, and other incidental expenses incurred in bringing the merchandise inventory to its present location and condition.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Investments in Joint Ventures
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control on an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in joint ventures are accounted for under the equity method of accounting. Under the equity method, investments in joint ventures are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investments in joint ventures after the date of acquisition. The Group's share in profit or loss of the joint ventures are recognized in the Group's profit or loss. Dividends received from the investments in joint ventures reduce the carrying amount of the investments.

Investment in a Joint Operation
A joint arrangement is classified as joint operations when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognizes its share in the results of the joint arrangement aside from the compensation from the use of its land and building. The Group has no capital commitments or contingent liabilities in relation to its interests in joint arrangements.

Property and Equipment
Property and equipment, excluding land and construction in progress, are carried at cost less accumulated depreciation, amortization and impairment losses, if any. Land is carried at cost. Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures 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, will flow to the Group. All other subsequent expenditures are recognized in profit or loss.

Wells, platforms and other facilities comprising oil and gas property represents the Company's share in the Service Contract (SC) 14's total capitalized exploration and development expenditures. They are amortized using the unit-of-production method based upon estimates of proven developed reserves. Proven developed reserves are the portion of 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 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 costs 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 and amortization are computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	Number of Years
Building	15 – 30
Storage tanks, platforms, wells	25
Furniture and fixtures	2 – 20
Office and store equipment	2 – 15
Transportation equipment	3 – 5
Leasehold improvements	15 - 20 or term of the lease, whichever is shorter

The useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Investment Properties

Investment properties consist of properties such as building held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes, is initially measured at cost. The cost of investment property includes purchase price and directly attributable expenditure on preparing the asset for its intended use. Subsequent to initial recognition, investment property is carried at cost less depreciation and impairment loss.

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 occupation.

Depreciation of building is computed using the straight-line method over 50 years.

The useful lives, residual values and method of depreciation of the assets are reviewed and adjusted if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner's occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner's occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Intangible Assets and Goodwill

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see policy on basis of consolidation. Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, 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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

The Group assessed the useful life of trademark and customer relationship to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Trademark and customer relationship with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Computer software and licenses and leasehold rights are separately acquired by the Group that has finite useful life is measured at cost less accumulated amortization and impairment losses, if any.

Subsequent costs are capitalized only when they increase the future economic benefits embodied in the capitalized software to which they relate. All other expenditures are recognized in profit or loss when incurred.

The amortization is computed using the straight-line method over the estimated useful life of the capitalized software from the date it is available for use and amortized over five (5) years. Leasehold rights are amortized on a straight-line basis over the lease period of twenty (20) years. The estimated useful life and the amortization method of an intangible asset with finite useful life are reviewed at each reporting date.

Deferred Oil and Mineral Exploration Costs

Deferred oil and exploration costs are accounted for using the full-cost method, where all acquisition, exploration and development costs are capitalized as deferred costs when incurred and on the basis of each contract area. Where oil and gas of commercial quantity is produced, the exploration and development costs are reclassified to and capitalized as wells, platforms and other facilities under the "Property and equipment" account. Producing and non-producing contract areas are evaluated periodically and considering a number of factors, a determination is made whether it is probable that a significant impairment of the carrying cost of deferred oil and mineral exploration costs of each contract area has occurred. If impairment is believed to have occurred, a further analysis is performed to determine the impairment to be recorded for specific contract areas.

If the Company abandons all exploration efforts in a contract area where there are no proven reserves, all acquisition and exploration costs associated with the contract area are recognized in profit or loss. A contract area is considered abandoned if the contract has expired and/or there are no definite plans for further exploration and development.

Proceeds from the sale of crude oil lifted from an area under production testing during the exploration stage are applied against deferred oil exploration costs.

Expenditures for mineral exploration and development work are capitalized as deferred costs when incurred. These expenditures are provided for with an allowance for impairment when there are indications that the exploration results are negative. These are recognized in profit or loss when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the exploration costs and subsequent development costs are capitalized and amortized using the unit of production method from the start of commercial operations.

Impairment of Assets

Financial Assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. 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. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the assets does not exceed its amortized cost at the reversal date.

AFS Financial Assets
If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

All impairment losses are recognized in profit or loss.

Non-financial Assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Cost
The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, if any.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Deposits for Future Stocks Subscription
Deposit for future stocks subscription represents deposits from stockholders which will be applied against subscriptions to shares of stock of the Company. This is recognized as a liability if it does not meet all the elements of an equity instrument.

Capital Stock
Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital
The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution
Retained earnings include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Dividend distribution to the Group's shareholders is recognized as a liability, and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

Treasury Stock
Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares of stock are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is charged to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares of stock were issued and to retained earnings for the remaining balance.

Other Comprehensive Income
Other comprehensive income are items of income and expense (including reclassification adjustments, if any) such as remeasurements of defined benefit plans that are not recognized in profit or loss as required or permitted by the related accounting standards.

Revenue and Expense 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 reliably measured.

- *Sale of Goods* is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

- *Sale of Services*

  Rent Income is recognized on a straight-line basis over the lease term.

  Concession Income pertains to the fixed percentage income from sales of concessionaire supplier's goods sold inside the store. The income is recognized when earned.

  Membership Income refers to fees from members wherein such fees permit only membership, and all other services or products are paid for separately. The fee is recognized as revenue when no uncertainty as to its collectability exists.

  Production Lifting Revenue is recognized at the time of oil lifting on an entitlement basis where revenue is allocated and distributed among the joint venture partners and the Philippine Government based on the participating interest in a specific contract area.

Interest 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 the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.

Dividends are recognized when the Group's right as a shareholder to receive the payment is established.

Other Income from display, demonstration or sampling, endcap or palette income, merchandise support and miscellaneous income are recognized when earned.

Cost of Sales
Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the cost of storing and transporting the products (i.e., freight costs or trucking costs, cross-dock delivery fees, and other direct costs). Vendor returns and allowances are generally deducted from cost of merchandise sold.

Cost of Services
Cost of services pertains to direct expenses incurred for the lease of investment properties. This primarily includes repairs and maintenance, real property taxes, depreciation, utilities and other related expenses.

This also includes services incurred in relation to the management of such investment properties.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

Borrowing Costs
Borrowing costs are recognized as expenses when incurred, except to the extent capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Income Taxes
Current Tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference 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, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" in the consolidated statements of financial position.

Leases
Group as Lessee
Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising from foreign currency transactions are recognized in profit or loss.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 30 to the consolidated financial statements. The Chief Executive Officer (the "chief operating decision maker") reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8, are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Provisions and Contingencies

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after retroactive adjustment for stock dividend declared in the current period, if any. Diluted EPS is also computed in the same manner as the aforementioned, except that, the net income and the number of common shares outstanding is adjusted for the effects of all potential dilutive debt or equity instruments.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2016**	2015
Cash on hand		**449,015,389**	P781,359,016
Cash in banks	*31, 32*	**3,057,272,187**	3,538,525,193
Money market placements	*31, 32*	**4,355,589,494**	10,221,581,141
		P7,861,877,070	P14,541,465,350

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 1.00% to 2.30% in 2016 and from 1.00% to 2.80% in 2015.

5. Short-term Investments

These short-term investments are placements with a commercial banking institution, with maturity of more than 90 days. The Group, primarily the Retail and Real Estate segments, engage in investing activities in order to maximize earnings on available cash funds. These investments earn annual interest at the prevailing market rate of 1.5% to 1.875% in 2016 and 1.625% to 1.85% in 2015.

Subsidiaries that are engaged in investing activities are as follows:

	Note	**2016**	2015
Nation Realty, Inc.		**482,049,833**	P479,199,327
Pure Petroleum		**157,952,160**	50,143,836
Ellimac Prime Holdings, Inc.		**70,860,297**	32,612,815
	31, 32	**P710,862,290**	P561,955,978

6. Receivables

This account consists of:

	Note	**2016**	2015
Trade receivables	*A*	**2,697,047,780**	P4,386,520,928
Non-trade receivables	*B*	**2,029,477,422**	1,229,679,232
Others		**454,262,416**	181,617,188
		5,180,787,618	5,797,817,348
Less allowance for impairment losses on trade receivables from third parties	*A*	**139,086,842**	149,684,186
	31, 32	**P5,041,700,777**	P5,648,133,162

a. 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 P139.08 million and P149.68 million as at June 30, 2016 and December 31, 2015, respectively, all other receivables are collectible and therefore, no additional allowance is necessary.

The movements in the allowance for impairment losses in respect of trade receivables are as follows:

	2016	2015
Beginning balance	**P149,684,186**	P164,457,192
Impairment losses recognized during the period	-	11,294,211
Write-off during the year	**(10,597,344)**	(26,067,217)
Ending balance	**P139,086,842**	P149,684,186

b. Non-trade receivables represent the amounts due from tenants in relation to rentals of store spaces. This account also includes due from suppliers with respect to "demo" or "sampling" conducted by suppliers' representatives and strategic locations granted to suppliers with regard to the display of their products in the selling area of the stores. It also includes advances to employees which are collected by the Group through salary deduction.

7. Inventories

This account consists of wines and spirits, groceries and other consumer products, such as canned goods, housewares, toiletries, dry goods, food products, liquefied petroleum gas 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.

Inventory cost as at June 30, 2016 and December 31, 2015 is lower than NRV.

Inventory charged to the cost of sales amounted to P49.07 Billion and P43.56 Billion in 2016 and 2015, respectively (see Note 20).

8. Investments in Trading Securities

The investments in trading securities represent the Group's investments in marketable securities that are traded in the PSE. The fair values of these listed shares are based on their closing market prices as at reporting dates.

The movements and balances of these investments in trading securities are as follows:

Cost	*Note*	**2016**	2015
Balance at beginning of year		**P15,355,998**	P14,518,906
Addition		-	837,092
Balance at end of year		**15,355,998**	15,355,998
Valuation Adjustments			
Balance at beginning of year		**19,076,593**	22,929,563
Unrealized valuation gain (loss) on financial assets at FVPL for the year	*24*	**3,268,262**	(3,852,970)
Balance at end of year		**22,344,855**	19,076,593
	31, 32	**P37,700,853**	P34,432,591

9. Available-for-sale Financial Assets

Details of AFS financial assets as at June 30 and December 31 are as follows:

	Note	**2016**	2015
Investment in debt securities		**P1,918,335**	P1,918,335
Investment in shares of stock		**7,583,096**	6,668,852
	31,32	**P9,501,431**	P8,587,187

Investments in debt securities represent investments in bonds and preference shares of a listed company and are readily marketable at the option of the Group.

Investments in shares of stocks represent investments in marketable securities that are traded in the PSE. The fair values of these listed shares are based on their closing market prices as at reporting dates.

Reserve for changes in value of AFS financial assets amounted to P5.58 million and P4.98 million as at June 30, 2016 and December 31, 2015, respectively.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	2016	2015
Input value added tax (VAT)	**P1,192,511,798**	P954,788,287
Prepaid expenses	**844,452,937**	533,143,210
Advances to suppliers	**180,501,777**	308,934,145
Creditable withholding tax	**86,528,028**	95,496,061
Others	**16,410,490**	11,207,961
	P2,320,405,030	P1,808,073,603

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.

Prepaid expenses comprise of prepaid rent, prepaid taxes and licenses which pertain to payments made to government for registration fees and other taxes and prepaid insurance which refers to payments made in advance in return for insurance services covering Group's merchandise inventories, property and equipment and others.

Advances to suppliers pertain to advanced payments made to suppliers prior to the delivery or shipment of goods. These include advances to foreign suppliers which were denominated in foreign currency.

Deferred input VAT represents accumulated input taxes for purchases of capital assets more than P1.0 million and unbilled services for the building and leasehold construction which can be applied against future output VAT.

11. Investments

This account consists of:

	Note	**2016**	2015
Investments in joint ventures	*b*	**P485,483,159**	P485,463,900
AFS financial assets	*a, 31, 32*	**7,879,160**	7,879,160
Investment in associates	*c*	**498,142,837**	495,846,580
		P991,505,156	P989,189,640

a. AFS Financial Assets

Retail

- AFS financial assets pertain to Tower Club shares amounting to P617,500 and Meralco preferred shares amounting to P7,261,660 which is acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Retail segment.

  The AFS Financial assets pertaining Tower Club is carried at cost since the fair value cannot be determined reliably in the absence of an observable market data on these related assets.

b. Investments in Joint Ventures

Retail

- On June 12, 2014, the Group thru PPCI entered into a joint venture agreement with Lawson Asia Pacific Holdings Pte. Ltd. and Lawson, Inc. (Lawson), both engaged in the operation of convenience stores in Japan and other Asian countries, to establish PG Lawson Company, Inc. (PLCI), a joint venture company that will operate convenience stores in the Philippines.

  The Group subscribed a total of 350,000,000 common shares at P100.00 par value for a total investment of P350 million representing a 70% interest while Lawson subscribed to a total of 1,500,000 common shares at P100.00 par value for a total investment of P150 million or 30% interest in the joint venture.

  PLCI was incorporated in the Philippines on June 2, 2014. It has no operations in 2014.

- On July 8, 2013, the Group through PPCI entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold), 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. AyaGold was incorporated in the Philippines on July 8, 2013 and is expected to start operations in 2015.

  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 million representing 50% interest each to the joint venture.

  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.

  Under the equity method, the Group's investment in AyaGold is reduced by P17.3 million due to the share in the net losses of AyaGold which was recognized under "Others" account in the consolidated statements of comprehensive income (see Note 25).

  The carrying amount of its investment and its share in the losses of PLCI follow:

	2016	2015
Carrying amount	**P318,276,913**	P350,000,000
Share in net loss	-	(31,723,087)
	P318,276,913	P318,276,913

The carrying amount of its investment and its share in the losses of AyaGold follow:

	2016	2015
Carrying amount	**P114,121,444**	P42,726,149
Additional investment	-	87,500,000
Share in net loss	-	(16,104,705)
	P114,121,444	P114,121,444

<u>Specialty Retail</u>

- On December 15, 2000, LPC entered into a joint venture agreement with Total Petroleum Philippines Corporation or "TPPC" *[presently known as Total (Philippines) Corporation]* to establish a joint venture corporation to be known as Mariveles Joint Venture Corporation or "MJVC". The primary purpose of MJVC is to manage, operate and maintain jetties and equipment installed for its benefit and/or for the benefit of owners/operators of storage facilities for oil products and/or liquefied petroleum gas and loading facilities and all related equipment; own, manage, operate, upgrade and maintain ancillary facilities dedicated for the common use by the users of the storage facilities, liquefied petroleum gas storage tanks, loading facilities and all related equipment; and perform consultancy, supervision and management services concerning the development and/or redevelopment of jetties and the upgrading of equipment and dedicated ancillary facilities installed.

  LPC and TPPC subscribed 160,049 common shares each from the issued and outstanding capital stock of MJVC. Consequently, LPC and TPPC each own 50% of the outstanding capital stock of the MJVC.

  LPC assessed the nature of its joint arrangement in MJVC and determined it to be joint venture and used equity method of accounting.

The carrying amount of LPC's investment and its share in results of MJVC as at June 30, 2016 and December 31, 2015 are presented below:

	2016	2015
Balance at beginning of year	**P55,165,767**	P57,728,944
Share in net income (loss)	**19,259**	(2,563,177)
Adjustments	**(2,100,224)**	-
Balance at end of year	**P53,084,802**	P55,165,767

c. *Investment in Associate*

Retail

San Roque Supermarkets or SRS

On December 4, 2013, the Group through PPCI acquired equity interest in San Roque Supermarkets (SRS) for a total cost of P371,896,077. SRS is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

On October 31, 2014, the Group through PPCI subscribed and paid additional one hundred ninety thousand eight (190,008) common shares from the unissued capital stock of the SRS for total cost of P19,000,800.

The carrying amount of SRS's investment and its share in results of SRS in 2016 and 2015 are presented below:

	2016	2015
Carrying Amount		
Balance at beginning of the year	**P427,813,089**	P390,896,877
Additions	-	-
Share in net income	-	36,916,212
	P427,813,089	P427,813,089

Specialty Retail

Peninsula Land Bay Realty Corporation or PLBRC

On June 24, 1998, LPC subscribed 15,475 shares in the common stock issued and outstanding of PLBRC. The subscribed shares represent twenty percent (20%) equity interest in PLBRC. PLBRC is primarily engage in the business of acquiring, developing and leasing real estate properties to its related parties. Thirty percent (30%) of its outstanding capital stock is owned by La Defense Filipinas Holdings Corporation, another thirty percent (30%) is owned by CPHI, while the remaining twenty percent (20%) is owned by Total (Philippines) Corporation.

LPC accounted its investment in PLBRC under equity method.

The carrying amount of LPC's investment and its share in results of PLBRC in 2016 and 2015 are presented below:

	2016	2015
Balance at beginning of year	**P26,869,514**	P25,133,620
Share in net income	**890,192**	1,735,894
Balance at end of year	**P27,759,706**	P26,869,514

Holding

Investment in an associated company represents the CPHI's 30% equity in PLBRC which consists of:

	2016	2015
Acquisition Cost	**P22,958,280**	P22,958,280
Accumulated share in results		
January 1	**17,345,992**	14,742,152
Share in net income	**1,335,288**	2,603,840
Adjustment	**(212,309)**	
December 31	**18,468,971**	17,345,992
	P41,427,251	P40,304,272

12. Property and Equipment

The movements and balances of this account as at and for the period and year ended June 30 and December 31 consist of:

	Building	Furniture and Fixtures	Office and store equipment	Leasehold improvement	Land	Construction-in-progress	Transportation equipment	Wells, platforms and other facilities	Storage tanks	Total
Cost										
Balance as at January 1, 2015	P5,406,313,008	P1,713,588,815	P3,724,248,006	P5,326,384,296	P386,605,819	P186,940,748	P386,451,894	P204,955,281	P1,447,389,080	**P18,782,876,947**
Transfer in	-	101,245,684	264,808,649	107,455,093	-	-	-	-	-	**473,509,426**
Additions	330,039,947	152,426,417	456,437,262	709,885,803	17,134,337	635,324,272	73,184,822		41,017,544	**2,415,450,405**
Reclassifications	97,748,986	23,683,528	144,025,168	142,622,232	-	(408,079,914)	-	-	-	-
Disposals	(196,429.00)	(3,714,059)	(14,682,613)	(2,935,742)	-	-	**(1,259,450)**	-	**(8,690,266)**	**(31,478,558)**
Adjustments	-	-	240,000	(219,721,241)	-	(142,136,607)	-	-		**(361,617,848)**
Balance as at December 31, 2015	5,833,905,512	1,987,230,385	4,575,076,472	6,063,690,441	403,740,156	272,048,499	458,377,267	204,955,281	1,479,716,358	**21,278,740,371**
Additions	133,764,734	69,337,103	407,338,666	154,897,230	-	641,761,732	37,532,524	-	20,020,225	**1,464,652,213**
Reclassifications	(79,625,175)	138,265	(138,266)	27,999,258	-	51,625,918	-	-	-	-
Disposals	-	(31,686)	(3,298,089)	-	-	-	-	-	-	(3,329,775)
Balance as at March 31, 2016	**P5,888,045,071**	**P2,056,674,067**	**P4,978,978,783**	**P6,246,586,929**	**P403,740,156**	**P965,436,149**	**P 495,909,791**	**P204,955,281**	**P1,499,736,583**	P21,989,353,784

	Building	Furniture and Fixtures	Office and store equipment	Leasehold improvement	Land	Construction-in-progress	Transportation equipment	Wells, platforms and other facilities	Storage tanks	Total
Accumulated Depreciation										
Balance as at January 1, 2015	P1,063,383,244	P415,172,971	P1,116,692,369	P373,025,292	P	P	P100,265,475	P44,917,503	P384,231,864	**P3,497,688,718**
Transfer in	815,531	37,401,315	121,453,274	36,371,352						**196,041,472**
Depreciation and amortization	224,063,182	171,537,411	684,532,966	288,550,100			61,012,940		**55,678,513**	**1,485,375,112**
Adjustments				(31,077,718)						**(31,077,718)**
Reclassification	73,491	(24,615)	(1,231)	(47,645)						
Disposals/Retirements	(147,321)	(1,396,138)	(2,627,625)	(251,911)			(385,633)		(1,346,362)	**(6,154,990)**
Balance as at December 31, 2015	1,288,188,127	622,690,944	1,920,049,753	666,569,470			160,892,782	44,917,503	438,564,015	5,141,872,594
Transfer in										
Depreciation and amortization	116,597,555	86,378,480	354,116,272	167,838,499			44,371,399		28,341,117	**797,643,323**
Reclassification		12,416	(12,416)							
Disposals/Retirements		(36,407)	(1,759,530)							**(1,795,937)**
Balance as at March 31, 2016	**P2,113,831,115**	**P709,033,017**	**P2,096,659,320**	**P834,407,969**	**P-**	**P-**	**P205,264,181**	**P44,917,503**	**P466,905,133**	**P5,937,719,979**
Carrying amount										
December 31, 2015	P4,545,717,385	P1,364,539,441	P2,655,026,719	P5,397,120,972	P403,740,156	P272,048,499	P297,484,485	P160,037,778	P1,041,152,343	**P16,136,867,778**
June 30, 2016	**P3,774,213,956**	**P1,347,641,050**	**P2,706,584,704**	**P5,412,178,960**	**P403,740,156**	**P965,436,149**	**P290,645,610**	**P160,037,778**	**P1,032,831,450**	**P16,802,342,830**

Transfer-in pertains to property and equipment of acquired and merged entities upon its acquisition as mentioned in Note 1. The adjustments resulted from the evaluation made by the Parent Company to its subsidiaries' property and equipment. The Group's assets were aligned with Parent Company's asset recognition policy. Assets were either recorded into its proper classification or expensed if it did not meet the criteria of capitalization.

No impairment loss was recognized in both years.

13. Investment Properties - net

This account consists of:

	Building	Land	Construction-in-progress	Total
Cost				
Balance as at January 1, 2015	P5,484,284,568	P7,491,564,276	P354,529,274	**P13,330,378,118**
Additions	595,673,072	1,617,101,845	26,693,357	**2,239,468,274**
Adjustment	(19,187,181)	132,143	(310,714)	**(19,365,753)**
Balance as at December 31, 2015	6,060,770,459	9,108,798,264	380,911,917	**15,550,480,639**
Additions	67,151,966	338,050,062	55,639,638	**460,841,666**
Adjustment	4,510,311	-	(7,302,679)	**(2,792,367)**
Balance as at June 30, 2016	**P6,132,432,736**	**P9,446,848,326**	**P429,248,876**	**P16,008,529,938**
Accumulated Depreciation				
Balance as at January 1, 2015	P556,481,227	P(23,432)	P	**P556,457,795**
Depreciation and amortization	150,889,861	-	-	**150,889,861**
Balance as at December 31, 2015	707,371,088	(23,432)	-	**707,347,656**
Depreciation and amortization	81,403,818	-	-	**81,403,818**
Balance as at June 30, 2016	**P788,774,905**	**P(23,432)**	**P-**	**P788,751,473**
Carrying amount				
Balance as at December 31, 2015	P5,353,399,371	P9,108,821,696	P380,911,917	**P14,843,132,984**
Balance as at June 30, 2016	**P5,343,657,831**	**P9,446,871,758**	**P429,248,876**	**P15,219,778,465**

As at June 30, 2016 and December 31, 2015, the fair value of the investment properties amounted to P23.5 billion based on independent appraisals obtained in 2012. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively. Management believes that the appraisal in 2012 is still applicable for disclosure purposes as at June 30, 2016 and December 31, 2015 as there are no significant changes in the condition of its land and building. The fair values of the land and buildings are determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively, which is categorized as Level 2 under the fair value hierarchy.

Fair value adjustment pertains to the difference of book value and fair market value of the investment properties of NPSCC. In both years, the aggregate fair values of NPSCC's properties amounted to P995.60 million. The fair values are based on the appraisal report by an independent appraiser using the Cost and Market Data Approaches (see Note 14).

The rental income earned by the Group from these properties amounted to P802 million and P745 million in 2016 and 2015, respectively.

Direct costs incurred pertaining to the lease of these properties amounted to P466 million and P460 million in 2016 and 2015, respectively (see Note 20).

14. Intangibles and Goodwill - net

This account consists of:

	Note	**2016**	2015
Goodwill	*a*	**P17,745,092,606**	P17,711,048,425
Trademark	*b*	**3,709,660,547**	3,709,660,547
Customer relationship	*b*	**889,452,981**	889,452,981
Computer software and licenses – net	*c*	**176,163,848**	181,723,275
Leasehold rights	*c*	**64,300,921**	66,184,796
		P22,584,670,903	P22,558,070,024

a. *Goodwill*

The goodwill represents the excess of the total acquisition cost over the fair value of the identifiable assets and liabilities assumed on the acquisitions made by the Group.

2012		
Puregold Junior Supermarket, Inc. (PJSI)	*a.1*	P11,374,263
Kareila	*a.2*	12,079,473,835
Gant Group of Companies Incorporated (Gant)	*a.3*	742,340,804
		P12,833,184,760

2013		
Merger of PJSI and Gant to PPCI	*a.4*	P4,142
Company E	*a.5*	358,152,015
		P13,191,340,917

2014		
NPSCC	*a.6*	P457,304,121
OWI	*a.7*	900,688,844
LPC	*a.8*	1,624,427,821
CHC	*a.9*	9,450
CPHI	*a.10*	51,432,111
		P3,033,862,347

2015		
DCI and FLSTCI	*a.11*	P685,904,317
Budgetlane Supermarkets	*a.12*	840,883,920
		1,526,788,237
		P17,745,092,606

Details are as follows:

a.1. Acquisition of PJSI

Acquisition cost*	P50,003,542
Fair value of net assets (June 30, 2010)	38,629,279
Goodwill	**P11,374,263**

****The amount disclosed was after the additional shares issued to reflect the effects of merger of PJSI and PPCI.***

a.2. Acquisition of Kareila

The following summarizes the consideration transferred and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	**P16,477,734,375**
Assets	
Current assets	1,651,017,012
Property and equipment – net	928,294,217
Other noncurrent assets	50,500,198
Liabilities	
Current liabilities	(1,431,714,792)
Noncurrent liabilities	(4,389,307)
Deferred tax liability	(1,379,734,058)
Total fair value of net liabilities	**(186,026,730)**
S&R trade name	3,709,660,547
Customer relationship	889,452,981
Fair value of identifiable intangible assets	**4,599,113,528**
Total fair value of net assets*	**4,413,086,798**
Adjustment for PAS 19 adoption	**(14,826,258)**
Total adjusted fair value net asset	**4,398,260,540**
Goodwill	**P12,079,473,835**

*The amount disclosed is before the restatement of Kareila's balance due to prior period adjustment as a result of the adoption of PAS 19, *Employee Benefits*.

The purchase price of P4.6 billion represents the fair value of S&R trade name and customer relationship determined after considering various factors and performing valuation methodologies including the independent valuation study and analysis prepared by an independent valuation specialist.

The Group incurred acquisition-related cost of P3.8 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2012.

a.3. Acquisition of Gant

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on the Gant group at the acquisition date:

Consideration transferred	P743,840,962
Fair value of net assets	1,500,158
Goodwill	**P742,340,804**

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the fair value of the acquired assets and liabilities assumed is attributable to goodwill.

The Group incurred acquisition-related cost of P0.2 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2012.

a.4. Merger of PJSI and Gant

On February 26, 2013, the SEC approved the application for merger of PPCI, PJSI and Gant. As a consideration for the said merger, PPCI paid the owner of PJSI amounting to P4,142.

a.5. Acquisition of Company E

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on Company E at the acquisition date:

Considerations transferred	P404,065,000
Fair value of net assets	45,912,985
Goodwill	**P358,152,015**

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill.

The Group incurred acquisition-related cost of P0.2 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2013.

a.6. Acquisition of NPSCC

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on NPSCC at the acquisition date:

	Note	
Assets		
Cash and cash equivalents		**P136,768,065**
Receivables		**27,864,675**
Prepayments and other current assets		**7,828,808**
Investment properties	*13*	**995,613,379**
Property and equipment - net		**35,357,476**
Deferred tax assets		**969,776**
Other noncurrent asset		**478,226**
Liabilities		
Account payable and accrued expenses		**(39,424,434)**
Current portion of long-term debt		**(24,844,898)**
Income tax payable		**(11,008,339)**
Long-term debt		**(62,367,034)**
Deposits from tenants		**(68,364,137)**
Deferred lease income		**(4,994,434)**
Total identifiable net assets at fair value		**P993,877,129**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Cash consideration transferred	P1,451,181,250
Fair value of net assets	(993,877,129)
Goodwill	**P457,304,121**

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill. There were no changes on the provisionary amounts used by the Group in 2014.

a.7. Acquisition of OWI

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on OWI at the acquisition date:

	Provisionary Amounts	Final Amounts (As Restated)
Current assets	P219,224,557	P219,224,557
Noncurrent assets	108,198,876	108,198,876
Current liabilities	(126,314,487)	(133,213,382)
Total identifiable net assets at fair value	**P201,108,946**	**P194,210,051**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Cash consideration transferred	P1,094,898,895
Fair value of net assets	(201,108,946)
Goodwill	**P893,789,949**

Movement of goodwill are as follows:

Goodwill at acquisition date	P893,789,949
Fair value adjustments	6,898,895
Goodwill at end of the period	**P900,688,844**

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill.

Part of OWI's acquisition cost is a retention payable amounting to P100 million. According to the Share Purchase Agreement entered into by the Parent Company and OWI's previous owners, the P100 million will be paid in three (3) installments, less any indemnity claim and/or third party claim, if there will be any, as follows:

		2014
1st installment	6th month after the Closing date*	P50,000,000
2nd installment	1st year after the Closing date*	25,000,000
3rd installment	2nd year after the Closing date*	25,000,000
		P100,000,000

**Closing date is the completion date of the Share Purchase Agreement (July, 21, 2014).*

In 2015, goodwill arising from the acquisition of OWI increased by P6.90 million upon finalization of OWI's purchase price allocation. As a result, the carrying value of the identifiable net assets at the date of acquisition changes, and the change resulted to increase in liabilities and consequently decrease net assets.

Acquisition of LPC

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on LPC at the acquisition date:

	Provisionary Amounts	Final Amounts (As Restated)
Current assets	P2,412,058,244	P2,412,058,244
Noncurrent assets	1,288,719,210	1,288,719,210
Current liabilities	(1,446,223,573)	(1,596,800,431)
Noncurrent liabilities	(27,220,776)	(27,220,776)
Total identifiable net assets at fair value	**P2,227,333,105**	**P2,076,756,247**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Cash consideration transferred	P3,478,450,758
Fair value of net assets (90%)	(2,004,599,795)
Goodwill	**P1,473,850,963**

Movement of goodwill are as follows:

Goodwill at acquisition date	P1,473,850,963
Fair value adjustments	150,576,858
Goodwill at end of the period	**P1,624,427,821**

In 2015, goodwill arising from the acquisition of LPC increased by P150 million upon finalization of LPC's purchase price allocation. As a result, the carrying value of the identifiable net assets at the date of acquisition changes, and the change resulted to increase in liabilities and consequently decrease net assets.

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill.

a.8. Acquisition of Canaria

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on Canaria at the acquisition date:

Current Assets	P50,000
Noncurrent Assets	3,505,643,800
Noncurrent Liabilities	(3,500,704,300)
Total identifiable net assets at fair value	**P4,989,500**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Acquisition cost	P4,500,000
Fair value of net assets (90%)	(4,490,550)
Goodwill	**P9,450**

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill. There were no changes in the provisionary amounts used by the Group in 2014.

a.9. Acquisition of Calor

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on Calor at the acquisition date:

Current Assets	P34,021,543
Current Liabilities	(30,103,778)
Noncurrent Liabilities	(5,508,999)
Total identifiable net liabilities at fair value	**(P1,591,234)**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Cash consideration transferred	P50,000,000
Fair value of net assets (90%)	1,432,111
Goodwill	**P51,432,111**

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill. There were no changes in the provisionary amounts used by the Group in 2014.

a.10. Acquisition of Daily Commodities Inc. (DCI) and First Lane Super Traders Co., Inc. (FLSTCI)

On February 3, 2015, the Group through Entenso acquired 100% interest in DCI and FLSTCI for a total cost of P768.49 million. DCI and FLST is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on DCI and FLSTCI at the acquisition date:

Acquisition cost	P768,485,000
Fair value of net assets	82,580,683
Goodwill	**P685,904,317**

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P690.90 million.

The Group used provisionary fair values of the identifiable net assets in calculating the goodwill of DCI and FLST as at the acquisition date. Upon finalization of the purchase price allocation exercise in 2015, the Group will restate the amounts of the net assets acquired and goodwill, in accordance with PFRS 3.

a.11. Acquisition of Bargain City Inc. (BCI), Multi-Merchantrade Inc. (MMI) and Superplus Corporation (SC) (collectively as "Budgetlane Supermarkets")

On August 6, 2015, the Group through Goldtempo Company, Inc., a wholly owned subsidiary of Entenso, acquired substantially all of the assets of BCI, MMI and SC. Goldtempo took over the operations of 8 supermarkets located mainly in Metro Manila and Luzon. The acquisition is considered as a business acquisition in accordance with PFRS 3.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired assumed on BCI, MMI and SC at the acquisition date:

Acquisition cost	P1,496,500,821
Fair value of net assets	655,616,901
Goodwill	**P840,883,920**

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P838.58 million.

The Group used provisionary fair values of the identifiable net assets in calculating the goodwill of BCI, MMI and SC as at the acquisition date. Upon finalization of the purchase price allocation exercise, the Group will restate the amounts of the net assets acquired and goodwill, in accordance with PFRS 3.

In 2014, NPSCC, OWI, CHC, LPC and CPHI contributed revenue of P9 billion and profit of P261 million to the Group's result. If the acquisition had occurred on January 1, 2014, management estimates that consolidated revenue would have been P114.7 billion and consolidated profit for the year would have been P7.2 billion. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally at the date of acquisition would have been the same if the acquisition had occurred on January 1, 2014.

b. *Trademark and Customer Relationships*
The fair value of the trademark and customer relationship was determined after giving due consideration to various factors and valuation methodologies including the independent valuation study and analysis prepared by an independent valuation specialist. The Group, after considering the said valuation methodologies, viewed the royalty relief (based on commercial rates) and multi-period excess earnings methodologies to be generally more relevant, compared to other methodologies that may be used to value the Group's trademarks and customer relationships, on the basis that such methodologies require fewer assumptions and less reliance on subjective reasoning since key assumptions come from primary sources based on the Group's filings and projections, actual industry precedents and industry common practice.

Impairment of goodwill, trademark and customer relationship

The recoverable amount of goodwill, trademark and customer relationship has been determined based on value in use (VIU), using cash flow projections covering a five-year period. It is based on a long range plans approved by management. The VIU is based on a 2% terminal growth rate and discount rate of 10%. The terminal growth rate used is consistent with the long-term average growth rate for the Group's industry. The discount rate is based on the weighted average cost of capital (WACC) by taking into consideration the debt equity capital structure and cost of debt of comparable companies and cost of equity based on appropriate market risk premium. The financial projection used in the VIU is highly dependent on the gross sales and gross profit margin.

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at June 30, 2016 and December 31, 2015.

c. *Leasehold Rights and Computer Software and Licenses*

On January 25, 2013, the Group executed a memorandum of agreement with various lessors, namely, BHF Family Plaza, Inc. (BHF), Lim Y-U Group, Inc., and R&A Malvar Trading Company, Inc. which paved the way for the establishment of five (5) Puregold stores previously owned and operated by these lessors. Under the agreement, the lessors agreed to sell to the Group all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by each lessor for a period of twenty (20) years upon compliance of the conditions set forth in the memorandum of agreement. As a result of the transaction, the Group recognized leasehold rights representing the excess of cost paid over the fair value of all assets acquired which will be amortized on a straight-line basis over the lease period.

The movements and balances of leasehold rights and computer software and licenses as at and for the years ended June 30 and December 31 consists of:

	Computer Software	Leasehold Rights	Total
Cost			
Balance, January 1, 2015	P268,252,938	P75,355,005	**P343,607,943**
Transfer in	9,387,434	-	**9,387,434**
Additions	81,455,903	-	**81,455,903**
Adjustments	(51,867,660)	-	**(51,867,660)**
Balance, December 31, 2015	307,228,615	75,355,005	**382,583,620**
Additions	9,784,132	-	9,784,132
Adjustment	(2,295,886)	-	(2,295,886)
Balance, June 30, 2016	**314,716,861**	**75,355,005**	**390,071,866**
Accumulated Amortization			
Balance, January 1, 2015	102,983,020	5,402,458	**108,385,478**
Amortization	22,522,320	3,767,751	**26,290,071**
Balance, December 31, 2015	125,505,340	9,170,209	**134,675,549**
Amortization	13,047,673	1,883,875	**14,931,548**
Balance, June 30, 2016	**138,553,013**	**11,054,084**	**149,607,097**
Carrying Amount			
December 31, 2015	P165,269,918	P69,952,547	**P235,222,465**
June 30, 2016	**P176,163,848**	**P64,300,921**	**P240,464,769**

15. Deferred Oil and Mineral Exploration Costs

This account consists of:

	Note	Participating Interest	2016	2015
I. Oil exploration costs:				
SC 14	*A*			
Block C2 (West Linapacan)		1.53%	**P53,745,757**	P53,745,757
Block D		5.84%	**8,031,189**	8,031,189
Block B1 (North Matinloc)		13.55%	**1,969**	1,969
			61,778,915	61,778,915
SC 6A	*b*			
Octon Block		0.50%	**16,820,565**	16,598,157
North Block		1.57%	**600,419**	600,419
			17,420,984	17,198,576
SC 51	*c*	9.32%	**32,817,032**	32,817,033
SC 6B (Bonita)	*d*	2.11%	**7,955,200**	7,955,200
Other oil projects			**527,341**	527,341
			41,299,573	41,299,574
Balance at end of year			**120,499,471**	120,277,064

Forward

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill. There were no changes in the provisionary amounts used by the Group in 2014.

a.10. Acquisition of Daily Commodities Inc. (DCI) and First Lane Super Traders Co., Inc. (FLSTCI)

On February 3, 2015, the Group through Entenso acquired 100% interest in DCI and FLSTCI for a total cost of P768.49 million. DCI and FLST is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on DCI and FLSTCI at the acquisition date:

Acquisition cost	P768,485,000
Fair value of net assets	82,580,683
Goodwill	**P685,904,317**

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P690.90 million.

The Group used provisionary fair values of the identifiable net assets in calculating the goodwill of DCI and FLST as at the acquisition date. Upon finalization of the purchase price allocation exercise in 2015, the Group will restate the amounts of the net assets acquired and goodwill

	Note	Participating Interest	2016	2015
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**19,208,048**	19,208,048
Anoling gold project	*g*	3.00%	**13,817,415**	13,817,415
Gold projects	*h*	100.00%	**13,036,487**	13,036,487
Cement project	*i*	100.00%	**9,603,218**	9,603,218
Other mineral projects	*j, k*		**382,338**	382,338
			56,047,506	56,047,506
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:			**(56,092,352)**	(56,092,352)
			(44,846)	(44,846)
III. Other deferred charges			**664,263**	664,263
			P121,118,889	P120,896,482

On July 2, 2015, the Department of Energy (DOE) approved the transfer of all participating interest of the Parent Company in its various petroleum service contracts in the Philippines to its wholly-owned subsidiary, Alcorn Petroleum and Minerals Corporation (APMC). APMC hereby assumes the responsibility and work commitments on the service contracts.

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.

a.) Gabon - Etame, Offshore Gabon, West Africa

On February 23, 2001, the Parent Company executed Heads of Agreement (HOA) and Deed of Assignment with Sojitz Etame, Ltd. (formerly Nissho Iwai Corporation of Japan) for its 2.625% interest in Etame oil field in Gabon, West Africa. The agreements provide that payment of capped amount of US$1,000,000 conditioned on production out of revenue derived from the assigned Participating Interest (2.428%) of 15% of Profit Oil [as defined in the Joint Operating Agreement (JOA)], payable quarterly and in accordance with the following:

(i) should the amount of proved recoverable reserves as submitted in the Development Plan by the Operator be less than 65 million barrels in the Etame Exploration Blocks, Buyer shall pay US$800,000; and

(ii) should the oil reserves be greater than 65 million barrels, Buyer shall pay an additional amount of US$200,000.

As at December 31, 2011, the Parent Company already received US$800,000 (peso equivalent: P35.1 million) as proceeds on production of 65 million barrels.

The Parent Company is still seeking the additional US$200,000 (peso equivalent: P8.8 million) as stated in provision (ii) of the above agreement for the computed oil reserves in excess of 65 million barrels as at December 31, 2012. As at December 31, 2015 and 2014, there were no further developments on the said project.

b.) <u>SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines</u>
The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. As at December 31, 2011, Cosco has participating interest of 1.57% in North Block and 0.50% in Octon Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data.

The impending expiry of SC 6A-Octon Block was finally resolved in a DOE letter on June 18, 2009. The letter informed the Operator, Philodrill, of the 15-[illegible] of the SC Octon Block subject to some terms and conditions.

On December 8, 2011, the DOE approved the transfer of Filipino Consortium's 70% undivided interest to PLL. DOE has also approved the appointment of PLL as the Operator in accordance with the Deed of Assignment and Assumption dated July 1, 2011.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing and interpretation of 500 square kilometers of 3D data area in Octon. Cosco for its part will be carried free up to the drilling of the two exploration wells on the block.

In 2013, the 3D seismic acquisition has been completed and the data is now in Vietnam for data processing and interpretation. Oil reserves have already been determined and would be further refined and fine tuned by the complete seismic acquisition.

As at June 30, 2016 and December 31, 2015, there were no further developments on the said project.

c.) <u>SC 51 - East Visayan Basin</u>
The contract area is defined by two (2) separate blocks, namely (1) an on shore-off shore block over Northwest Leyte and (2) a deepwater block in the Cebu Strait. The Parent Company together with other members of the SC 51 Consortium, assigned their collective 80% interest to NorAsian Energy Limited (NorAsian) in consideration for the latter to conduct and finance the seismic survey and drill one well.

In a DOE letter dated June 20, 2009, DOE informed the Operator NorAsian that Executive Order No. 10 dated May 29, 2009 has been issued by the Cebu Provincial Governor which effectively lifts the Cease and Desist Order along the municipal waters of Argao, Sibonga and Cebu.

In line with this, DOE instructs NorAsian to resume petroleum exploration activities in the service contract area.

In July 2011, NorAsian has executed a farm-out of its SC-51 participating interest to Swan Oil and Gas (SWAN). The agreement has been approved by the SC51 Joint Venture Partners and the DOE. In the Consortium meeting on October 27, 2011, NorAsian informed the partners that DOE has accepted DUHAT-1 as compliance of its 3rd Sub-Phase work program. DOE has also approved the 100 kilometers of 2D seismic data acquisition in on-shore Leyte as its commitment for the 4th Sub-Phase work program rather than drill another well onshore.

NorAsian has elected to discontinue its participation in the South block and with the drilling of Argao prospect. NorAsian will give to SWAN all of its 80% participating interest and its operatorship in the Southern block. NorAsian will still retain a 40% working interest in the Northern block and the remaining 40% to SWAN.

Relative thereto, SWAN has requested the Filipino partners to approve the revised Farm in agreement. The Farm-in agreement revisions was approved subsequently but remained unexecuted as at December 31, 2011.

In the first half of 2012, after trying to raise funds for its committed drilling program, SWAN was unable to show proof of its financial capability and its commitment to drill the Argao structure in due time as per provisions of the amended Farm-In Agreement. The Filipino partners in the South Block declared SWAN in default of its Farm-In Agreement commitments. Otto Energy (Otto) also declared SWAN in default of its JOA commitment in the North Block. SWAN contested the default but later settled amicably in September 2012, after it was able to secure a reasonable walk-away package from Otto.

After SWAN's exit from the SC-51 contract area, Frontier Oil Corporation (Frontier) manifested its interest to become Operator of SC-51 South Block and has agreed to the key terms of the proposed Farm-In Agreement. Frontier Oil was still within its requested due diligence period when the year ended. A third party, Arex Energy, was commissioned by Frontier to conduct due diligence of the block. Frontier requested for an extension until January 31, 2013 before it decides on its option.

On July 2012, 102 line kilometers of seismic lines were completed by the seismic survey party in the North Block. The Seismic survey was completed under budget despite a month-long cessation of operation due to the military stand-off between China and the Philippines at the Scarborough Shoals. Initially-processed seismic lines disclosed very promising seismic features and more enhanced drilling target. The confidence of optimally locating the proposed Duhat 2 is now much higher.

Otto informed that its Board has already approved the drilling budget of $6,600,000 for next year's drilling program which is likely to occur during third quarter of 2013. A much larger rig is being sought for the drilling Duhat 2 to avoid the problem in Duhat 1/1A. So far, two serious drilling outfits heeded the call for rig by Otto.

In 2013, Otto Energy, despite its two failed wells, has declared a mean probable reserve of more than 20MBO.

As at June 30, 2016 and December 31, 2015, there were no further developments on the said project.

d.) SC 6B (Bonita) - Offshore Nortwest Palawan, Philippines

The SC 6B Bonita oil field is located in Offshore Northwest Palawan adjacent to Matinloc. Currently, Venture Oil is evaluating the area for development. On October 28, 2011, Peak Oil and Gas Philippines Ltd, Blade Petroleum Philippines Ltd, and Venture Oil Philippines Inc signed a Farm-In agreement with SC-6B joint venture partners to acquire 70% of the consortium's aggregate participating interests. After executing the Deed of Assignment and Assumption of Interest, Cosco as at December 31, 2011 has a residual participating interest of 2.11% from the original 7.03% after the farm-out.

The impending expiry of SC 6B-Bonita Block was also resolved in a DOE letter of June 17, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Bonita Block subject to terms and conditions.

In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

During the last quarter of 2012, Philodrill, as previous operator of Bonita, served notice to the current Group of Operators that the farmers are cancelling the farm-in agreement.

As at June 30, 2016 and December 31, 2015, there were no further developments on the said project.

e.) Exploration Permit Application No. 175-IVB - Nickel Project Aborlan, Palawan

An Order of Denial has been issued by MGB-IVB during the last quarter of 2010 due to inactivity and lack of NCIP clearance among others. The Parent Company submitted a letter of reconsideration and MGB-IVB granted a temporary reprieve in order for the Parent Company to show commitment in completing the application.

The Parent Company submitted the same letter of reprieve to NCIP Region IV so the latter can facilitate the reactivation of the Parent Company's request of NCIP clearance.

As at December 31, 2012, the appeal for reconsideration remained at the MGB Central Office in Quezon City awaiting for the deliberation and resolution.

In December 3013, the application permit remained languishing at the MGB Central under appeal for reinstatement. However the recent turn of events in Palawan brought about by the assigning of EO-79, which categorized Palawan as a No-Go Zone for mining, has forced the Parent Company to accept the previous cancellation and withdraw its appeal for reinstatement.

As at June 30, 2016 and December 31, 2015, there were no further developments on the said project.

f.) Exploration Permit Application No. 196-IVB - Nickel Project Rizal, Palawan
The declaration of Mount Mantalingaan as Palawan Protected Landscape gravely affected the surface extent of the applied area. From the original area of 2,477 hectares the net free area has been reduced to a mere 396 hectares or 15% of the original applied area.

On October 12, 2011, the Parent Company received the Notice of Denial for further processing of its exploration permit application. With the current anti-mining sentiments in Palawan, the Parent Company has decided to forgo any appeal for reinstatement.

In December 2013, this has been cancelled several years back due to the inclusion of its most potential areas in the recently declared Mt. Mantalingaan National Park in Southern Palawan. This forced the Parent Company to accept the cancellation notice without any qualms, after filing two motions for reconsideration.

As at June 30, 2016 and December 31, 2015, there were no further developments on the said project.

g.) MPSA Application No. 039-XIII - Gold Project Anoling, Agusan Del Sur
The project, located in Agusan del Sur, has an area of 204 hectares. In November 2005, the Parent Company executed a Mines Operating Agreement (MOA) with Phsamed Mining Corporation (PHSAMED) whereby the latter assumes operatorship of the Anoling Project, including, among others, all rights, duties and obligations of the Parent Company as previous operator of the Anoling Project. In return, PHSAMED seeks the approval of MPSA and complies with all the work obligation on the area. Moreover, the Parent Company receives 3% royalty and 10% net profit interest share before income tax, depreciation and amortization of up to P11 million. The agreement has an initial term of ten (10) years.

PHSAMED, with the assistance of Cosco, is pursuing the final approval of the MPSA. Additional documentary requirements were submitted to MGB-Caraga in Surigao City. All mining operations remained suspended as at December 31, 2012 until final approval of MPSA.

In 2012, the Parent Company received a formal notice from the project operator that they are no longer pursuing the project development program of Anoling Gold Mine.

The Parent Company has assumed operatorship of the project once again and currently securing all the mine tunnels and assets left behind by the project operator. The Parent Company is also securing all technical data and reports that the project operator acquired during their seven years of operatorship.

The return of the unapproved tenements was completed in 2013 and Bernster has already acknowledged receipt of the MOA termination in their reply letter. The MPSA application is still held-up at the sala of the Mines Adjudication Board but Bernster has to pursue the approval themselves.

As at June 30, 2016 and December 31, 2015, there were no further developments on the said project.

h.) Exploration Permit Application No. 080 - Gold Project, Tinongdan Itogon, Benguet

As at December 31, 2012, all field activities and IP negotiations are suspended. The Parent Company is currently finding a solution to move the project forward and convince the big land owners to give their consent and complete the FPIC process. A final appeal for reinstatement has been lodged before the MGB Central office.

In 2013, due to the continued non-consent vote from the indigenous people in the area, it was deemed justified to withdraw the appeal for reinstatement.

As at June 30, 2016 and December 31, 2015, there were no further developments on the said project.

i.) MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte

The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

On March 4, 2003, the DENR granted the Parent Company's application for a two-year exploration period in its Cement Leyte Project which ended on March 14, 2005.

On September 9, 2011, the Parent Company received the approval for the second extension of the MPSA Exploration. The approved exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

The Parent Company, as part of new requirements, is required to conduct a new round of Information, Education and Communication (IEC) before implementing the exploration surveys. The Parent Company has also committed to participate in the National Greening Program initiated by the President.

For the first half of 2012, the Parent Company continued in preparation to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the two-year extension of the MPSA exploration period.

In 2013, the project was considered delinquent and may soon be cancelled by the regional mining office.

As at June 30, 2016 and December 31, 2015, there were no further developments on the said project.

j.) Exploration Permit Application No. 009-2010-V - Copper Gold Project, Oas, Albay

The Exploration Permit Application EXPA-000072-V has been signed and approved on May 5, 2010 at the Central office of the Mines and Geosciences Bureau in Quezon City and registered with the Mines Geosciences Bureau Regional Office No. 5 in Legaspi City on May 12, 2010 as EP-009-2010-V.

On May 17, 2011, the Parent Company signed a MOA with Bentley Fairview Resources Corporation after Bentley decided to exercise its option upon expiration of the Option and Due Diligence Agreement last May 1, 2011.

In August 2011, the Parent Company and Bentley have completed the IEC campaign. Bentley advised that ground activities will commence in the middle of January 2012. Their schedules were set back by bad weather and shortage of technical personnel.

During the first quarter of 2012, a three-year MOA between the Parent Company and Barangay Maramba was signed and executed in compliance and fulfillment of the Parent Company's commitments with the National Greening Program (NGP). Bentley, as project operator and in pursuance to the mines operating agreement with the Parent Company, will finance the reforestation of a 6-hectare area in Maramba and Barangay Maramba will be the implementing partner of the NGP MOA. A three-year financial plan has been crafted for that matter.

In 2012, the implementation of signed NGP-MOA between the Parent Company and Barangay Maramba was completed. A total of 2,500 mahogany seedlings were planted in the area located within the jurisdiction of Barangay Maramba, Oas, Albay. The tree-planting site has been inspected by representative of the MGB.

As at December 31, 2012, the Parent Company submitted its application for the renewal of the exploration permit and waits for the renewal of the exploration permit.

In 2013, the documents for the relinquishment of the tenements have been prepared. The EP was renewed but the claim perfection remained incomplete due to non-payment of the mining occupation fees. Cosco has already made several postponements of inspection trips by MGB-5 to the project site.

Cosco has not implemented its mandatory community development program. It has stalled the implementation of the tree-planting program and has not undertaken the environmental baseline survey. Commitments are piling up after the pull out of Bentley and Cosco has suspended all compliance activities on the area.

In 2013, the EP is now delinquent in status and the continued delinquency is decreasing the value of the project.

As at June 30, 2016 and December 31, 2015, there were no further developments on the said project.

k.) <u>Exploration Permit No. 000071 - Copper Project, Concepcion, Iloilo</u>
On June 22, 2010, the exploration permit application was registered and approved by the regional office of MGB-6 in Iloilo City. All surface activities remained suspended. The Parent Company is currently preparing the budget for work programs and IEC presentations for approval by the Cosco Board.

The Parent Company has completed its Project IEC campaign before all concerned and affected Local Government Units in Concepcion and Iloilo.

MGB-6 now requires Cosco to secure Affidavit of Consents from the private landowners. Cosco complied with the MGB guidelines.

As at December 31, 2012, the Parent Company completed its documentary submissions with respect to its application for the renewal of the exploration permit. The Parent Company is patiently waiting for the renewal of the exploration permit so that it can implement the other peripheral requirements of the CDP, NGP and geohazard mapping.

In December 2013, the signing of the Option to Purchase agreement with Vale Exploration, Philippines (Vale) has been completed.

On January 13, 2014, Vale took over of the project Operation. The US$20,000 cash consideration was paid to Cosco on January 23, 2014.

If the surface exploration activities confirmed the expected results, Vale has the option to exercise immediately the purchase of the mineral rights from Cosco at the cost of US$1.25 million. Vale would still pay the US$ 30,000 regardless of the early exercise of the purchase option. Cosco's residual 1.35% share on the net smelter return will only kick in when production has been realized. Cosco will be carried free in all exploration activities even in the event of confirmatory drilling operations in the later stages.

16. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2016**	2015
Trade payables	*31, 32*	**3,128,739,083**	P7,332,358,905
Non-trade payables	*31, 32*	**3,036,431,039**	1,775,816,318
Withholding taxes payable and other statutory payables		**384,313,144**	543,334,664
Construction bonds	*31, 32*	**7,872,764**	14,966,307
Deferred rent income	*31, 32*	**8,165,595**	1,631,358
Accrued expense	*31, 32*	**990,072,557**	1,707,695,643
Dividends		**-**	932,741,912
Others	*31, 32*	**359,890,885**	65,524,120
		P7,915,485,067	P12,175,189,869

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 (see Note 32).

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods, fixed asset acquisitions and structures under construction.

17. Loans Payable

As at June 30, 2016 and December 31, 2015, 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:

Segment		***Note***	**2016**	2015
Liquor	Short-term note based on 2.375%	*i*	**P65,000,000**	P729,000,000
Real estate	Short-term note based on 2.375%		**600,000,000**	400,000,000
Retail	Short-term note based on 2.38%		**2,437,500,000**	-
Retail	Short-term note based on 2.50%		**890,000,000**	-
Retail	Short-term note based on 2.75%	*i*	**-**	2,247,500,000
Retail	Short-term note based on 2.5%	*i*	**-**	890,000,000
			P3,927,497,984	P4,266,500,000

Principal amounts will be due on lump sum on their maturity dates. Extension and/or renewal of the notes are granted by the financial institution to the Group.

b. Long-term Loans Payable

b.1 As at June 30 and December 31, the outstanding loan by the Parent is as follows:

	2016	2015
Loan Facilities (net of debt issuance costs)		
Fixed-Rate Peso Corporate Notes	**P4,863,455,558**	P4,915,499,368
Less current portion	**-**	44,657,383
	P4,863,455,558	P4,870,856,243

Financing of Capital Expenditures and Debt Obligations

In 2014, the Parent Company entered into a Corporate Financing Facility in the aggregate principal amount of P5.0 billion to finance the Group's strategic acquisition plans and/or for other general corporate requirements.

Below are the terms of the loan facility:

Fixed-Rate Peso Corporate Notes

1.) Seven-year, unsecured Corporate Loan Facility with a consortium of six (6) local banks for P4.0 billion which bears annual interest based on PDST-F plus spread and the principal payable as follows:

    a) On the first anniversary after Issue Date and every anniversary until the sixth anniversary, an amount equal to one (1) percent of the principal; and
    b) On the Maturity date, an amount equal to ninety-four (94) percent of the principal plus accrued interest.

    The fixed rate is based on the 7-year PDST-F Rate on interest Rate Setting Date + spread of [100-150] bps.

2.) Ten-year, unsecured Corporate Loan Facility with a consortium of six (6) local banks for P1.0 billion which bears annual interest based on PDST-F plus spread and the principal payable as follows:

    a) On the first anniversary after Issue Date and every anniversary until the sixth anniversary, an amount equal to one (1) percent of the principal; and
    b) On the Maturity date, an amount equal to ninety-one (91) percent of the principal plus accrued interest.

    The fixed rate is based on the 10-year PDST-F Rate on interest Rate Setting Date + spread of [100-150] bps.

Interest expense from these loans recognized in profit or loss amounted to P100 million and P135 million in 2016 and 2015, respectively.

As at June 30, 2016 and December 31, 2015, the Parent Company is in compliance with the terms and conditions of the loans.

b.2 As at June 30 and December 31, the outstanding loans by the subsidiaries are as follows:

Segment	Unsecured Peso Denominated	Note	2016	2015
Retail	Fixed rate note based on 3.5%	*i*	**1,996,068,068**	P1,995,062,298
Retail	Fixed rate note based on 3.25%	*ii*	**120,000,000**	570,000,000
Retail	Fixed rate note based on 3.5%	*iii*	**400,000,000**	400,000,000
Real Estate	Fixed rate note based on 4.5%	*iv*	**1,432,500,000**	1,432,500,000
		28, 29	**3,948,568,068**	4,397,562,298
	Less current portion		**120,000,000**	570,000,000
			P3,792,500,000	P3,827,562,298

i. On June 13, 2013, PPCI issued a P2.0 billion promissory note. Interest is computed as 3.50% per annum of the principal amount. The debt has a term of 1,803 days and will be paid on a lump sum on May 21, 2018.

ii. On April 14, 2013, the Parent Company signed and executed a two (2) year promissory note amounting to P963.70 million. The debt bears a 3.25% interest rate per annum and shall be repaid in a single payment on maturity. As at June 30, 2016, a total of P843.70 million of the loan amount was already paid. The balance was renewed at 2.38% interest rate per annum and payable on July 8, 2016.

The movements in debt issue costs are as follows:

	2016	2015
Balance at beginning of the year	**P4,937,702**	P7,665,410
Amortizations	**(1,005,770)**	(2,727,708)
Balance at end of year	**P3,931,932**	P4,937,702

iii. On July 23, 2013, Kareila signed and executed a P500.00 million unsecured loan agreement with a local bank. The loan shall be repaid in lump sum after five (5) years. Its related interest is at 3.50% per annum. As at December 31, 2015, P100.00 million of the loan amount was already paid.

Interest expense from these loans amounting to P39.71 million and P92.22 million were capitalized in June 2016 and December 2015 and recognized in building and leasehold improvements under property and equipment accounts (see Note 10). Remaining interest expense that was charged to profit and loss amounted to P38.00 million and P70.30 million in June 2016 and December2015, respectively.

Repayment Schedule
The annual maturities of long-term loans are as follows:

Year	2016	2015
2015	**P120,000,000**	P570,000,000
2018	**2,000,000,000**	2,000,000,000
	P2,120,000,000	P2,570,000,000

iv. On February 28, 2014, Ellimac obtained loan from Metrobank (MBTC) amounting to P1.45 billion which bears annual interest rate of 4.5%. The maturity date of the loan is January 21, 2021.

Interest expense incurred amounted to P37.35 million and P33.01 million for the periods ended June 30, 2016 and 2015, respectively.

18. Other Current Liabilities

This account as at June 30 and December 31 consists of:

	Note	2016	2015
Deposits	*21, 31, 32*	**P273,914,338**	P227,049,204
Promotion fund		**22,905,674**	35,578,785
Unredeemed gift certificates		**70,769,024**	89,430,184
Output VAT		**20,586,099**	46,178,424
Loyalty and rewards		**77,023,224**	15,100,407
Others	*31, 32*	**1,731,768**	28,527,857
		P466,930,127	P441,864,861

Deposits represent amounts paid by the store tenants for the lease of store spaces which are refundable upon termination of the lease.

Promotion fund is promotional discount granted for the Group's promotion and advertising activities in partnership with suppliers.

Unredeemed gift certificates represent issued yet unused gift certificates. These will be closed to sales account upon redemption and are due and demandable.

Exclusive fund is provided for the point's redemption of ''Tindahan ni Aling Puring" members. Points are earned upon purchase of participating items and may be used as payments of their purchases which makes it due and demandable.

Others include cashier's bond withheld from each cashier to compensate for any possible cash shortages in the store.

19. Deposit for Future Subscriptions in a Subsidiary

The Group thru OWI received funds from prospective investors intended as deposit for future stock subscriptions of OWI once the increase for Company's authorized capital is approved by the SEC. Outstanding amount due to stockholders were converted to deposit for subscription in 2013 amounting to P150.3 million. As at June 30, 2016 and December 31, 2015, the increase for capital is yet to be filed to SEC by the OWI.

20. Cost of Sales and Services

This account for the years ended June 30 consists of:

Cost of Sales

	2016	2015
Beginning inventory	P16,740,693,333	P13,921,685,345
Purchases/effect of business combination	50,915,235,930	44,916,714,818
Total goods available for sale	67,655,929,263	58,838,400,163
Ending inventory	18,581,283,880	15,280,391,128
	P49,074,645,382	P43,558,009,035

Depreciation and amortization relating to cost of sales amounted to P69.51 million and P63.26 million in 2016 and 2015, respectively.

Cost of Services

	Note	2016	2015
Utilities		P193,726,478	P196,525,176
Depreciation	*12, 13*	91,356,409	99,347,231
Security services		44,464,158	32,311,163
Taxes and licenses		38,845,575	35,181,348
Janitorial services		23,854,605	23,635,367
Repairs and maintenance		23,818,652	20,183,765
Rentals	*21*	19,833,161	17,377,145
Management fees		16,900,881	19,281,162
Insurance		9,198,761	6,869,108
Others		4,380,864	9,644,434
		P466,379,544	P460,355,899

21. Lease Agreements

As Lessee

The Group leases warehouses, parking spaces and certain lands and buildings where some of its stores are situated or constructed. The terms of the lease are for the periods ranging from ten to forty (10-40) years, renewable for the same period under the same terms and conditions. The rent shall escalate by an average of 1% to 7%. Rental payments are fixed amounts which are calculated either fixed monthly rent or is calculated in reference to a fixed sum per square meter of area leased based on the contracts.

The Group is required to pay advance rental payments and security deposits on the above leases which are either fixed monthly rent or are calculated in reference to a fixed sum per square meter of area leased. These are shown under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (see Note 16).

Rent expense recognized in profit or loss amounted to P979.01 Million and P817.80Million in 2016 and 2015, respectively.

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten (1-10) years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 19).

Rent income recognized in profit or loss amounted to P186.47 Million and P194.60 million in 2016 and 2015, respectively.

22. Other Operating Income

This account for the years ended June 30 consists of:

	Note	**2016**	2015
Concession income		**P684,218,075**	P634,108,563
Display allowance		**298,007,792**	253,755,140
Rent income	*21*	**186,468,301**	194,601,761
Membership income		**169,213,518**	161,811,252
Merchandising support		**46,840,093**	40,635,689
Listing fee		**43,383,354**	12,032,897
Miscellaneous		**96,043,144**	83,486,315
		P1,524,174,277	P1,380,431,617

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.

Service income pertains to income generated from promotional activities.

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

Listing fee pertains to the amount collected from the supplier for enrolling their products in the classified business line.

Demo/sampling income pertains to the fee paid by the suppliers for the privilege granted by Kareila 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.

23. Operating Expenses

This account for the years ended June 30 consists of:

	Note	2016	2015
Manpower- agency		**P995,191,527**	P830,236,997
Rent	*21*	**959,182,344**	800,422,309
Salaries and wages		**935,711,762**	794,969,083
Communication, light and water		**859,432,024**	828,808,567
Depreciation and amortization		**711,426,984**	699,893,833
Outside services		**656,160,241**	517,295,465
Taxes and licenses		**297,455,813**	245,528,921
Store and office supplies		**239,464,571**	202,040,408
Concession expense		**207,461,871**	208,664,618
Repairs and maintenance		**195,853,192**	162,298,738
Advertising and marketing		**122,631,172**	117,185,388
Selling expenses		**88,811,507**	73,841,851
Insurance		**87,123,562**	78,507,123
SSS/Medicare and HDMF contributions		**57,827,325**	48,157,946
Transportation		**46,840,150**	40,246,591
Input VAT allocable to exempt sales		**43,899,660**	35,297,181
Representation and entertainment		**27,984,426**	53,008,551
Warehousing and delivery		**21,436,096**	16,121,320
Fuel and oil		**21,127,168**	21,999,767
Professional fee		**21,056,660**	16,631,334
Royalty expense	*25*	**19,454,411**	16,935,003
Retirement benefits cost	*26*	**2,821,593**	2,821,593
Provision for doubtful accounts	*6*	**-**	11,294,211
Others		**92,750,376**	102,467,569
		P6,711,104,435	P5,924,674,367

24. Others

This account for the years ended June 30 consists of:

	Note	**2016**	2015
Commission income		**P32,762,757**	P16,777,032
Unrealized valuation gain (loss) on trading securities	8	**3,268,262**	221,535
Gain (loss) on disposal of property and equipment		**900,000**	(277,343)
Bank charges		**(12,377,294)**	(8,304,549)
Share in result of associates and joint ventures	11	**1,719,593**	20,050,582
Foreign exchange loss		**(4,749,127)**	(169,997)
Miscellaneous		**3,175,839**	13,376,012
		P24,700,030	P39,557,544

Commission income is derived from intermediating between other local distributors of wines and liquors and foreign suppliers.

Gain on insurance claim represents the excess of the insurance proceeds received over the cost of the inventories and machineries damaged by flood and fire.

Reimbursements of expenses pertain to recovery of expense charged by the Company for promoting the products of its major suppliers.

25. Related Party Transactions

In the normal course of business, the Group has transactions with its related parties. These transactions and account balances as at June 30 and December 31 follow:

Related Party	Year	*Note*	Amount of Transactions for the Year	Due from Related Parties	Due to Related Parties	Terms	Conditions
Officers							
▪ Advances	**2016**	*a*	**700,878,533**	**184,980,789**	**748,440,096**	Due and demandable;	Unsecured
	2015	*a*	P474,586,912	P156,018,038	P419,138,208	non-interest bearing	
Associates							
▪ Throughput fees	**2016**	*c*	**2,065**	-	**8,252,065**	Outstanding balance is	Unsecured
		c				settled in cash within a month	
						after the end of each quarter;	
	2015		**30,000,000**	-	**8,250,000**	non-interest bearing	
▪ Concession expense	**2016**	*e*	**207,461,871**	-	-	Due and demandable;	Unsecured
	2015	*e*	475,968,505	-	-	non-interest bearing	
Key Management Personnel							
▪ Royalty expense	**2016**		**19,454,411**	-	**49,223,823**	Due and demandable;	Unsecured
	2015		37,211,342	-	29,769,412	non-interest bearing	
▪ Post-employment benefits	**2016**		-	-	-		
	2015		-	-	-		
Total	**2016**		**927,796,880**	**P184,980,789**	**P805,915,984**		
Total	2015		1,091,111,714	P156,228,847	P457,157,621		

The Group, in the normal course of business, has transactions with its related parties as follows:

a. Officers

Cash advances extended from and to an officer for working capital requirements.

b. Under Common Control

Cash advances extended from and to entities under common control for working capital requirements.

c. Throughput Agreement

On December 15, 2000, LPC, together with its co-joint venture in MJVC, as "Users", entered into a throughput agreement (TA) with MJVC and PLBRC. Under the TA, MJVC will provide the services to enable basis, each of the users to load and off-load products from vessels and receive products from MJVC's storage facilities. The Company, as the User, shall pay the services and annual fees based on a certain formula agreed upon under the TA. The fee shall be shared between the users based on the actual tonnage off-loaded or loaded from and to ships. The term of the agreement is for 25 years and shall expire on December 15, 2025.

Throughput fees are shown as part of cost of sales (see Note 20)

d. Loans

Loans to related parties pertains to loans to associates which are unsecured and are payable in twenty (20) equal annual installments subject to annual interest based on the 91-day treasury bill rate plus a margin of 200 basis points subject to quarterly repricing. In the event of default, the Company through written notice may terminate the facility and any principal and interest outstanding shall be immediately due and payable on demand. The maximum credit risk exposure on these loans is equal to their carrying amount as at reporting date.

e. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with PPCI thru Kareila, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) stores.

- The Consignor shall give the Consignee a trade or volume discount of its gross sales.

- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.

- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee's gross sales which was decreased to ten percent (10%) through an amendment of the contact on
  January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties.

f. Royalty Agreement

On August 15, 2011, the Group ("licensee") entered into a license agreement with a stockholder ("licensor") for its use of trademark and logo. The licensee will pay the licensor royalties in an amount equivalent to 1/20 of 1% of net sales for the period of thirty (30) years, renewable upon mutual written consent of the parties. These royalty fees and payables are unsecured, non-interest bearing and due and demandable.

g. Lease of Building

The Group leases the building from its related parties where some stores are located. The Group pays its related parties a minimum fixed amount or is calculated in reference to a fixed sum per square meter of area leased. The terms of the lease are for the periods ranging from ten to thirty-five (10 -35) years, renewable for the same period under the same terms and conditions. The rent shall escalate by the range from 1% to 7%. Rental payments are fixed amounts based on the contracts.

26. Retirement Benefit Costs

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.

	2016	2015
Balance at January 1	**P504,824,597**	P458,436,122
Included in profit or loss		
Current service cost	**2,821,593**	93,253,180
Interest cost	-	20,149,944
Interest income on plan assets	-	(1,122,500)
	2,821,593	112,280,624
Included in other comprehensive income		
Remeasurements loss (gain):		
Changes in financial assumptions		-
Changes in demographic assumptions		-
Actuarial loss (gain) arising from:		
Financial assumptions	**185,819**	(44,795,585)
Experience adjustment	-	(14,833,001)
Return on plan assets excluding interest income	-	666,962
	185,819	(59,227,079)
Retirement benefits paid	**(56,493)**	(6,665,070)
Effect of business combination	**79,635**	-
Balance at June 30 and December 31	**P507,855,153**	P504,824,597

The retirement benefits asset recognized in the statements of financial position as at June 30 and December 31 are as follows:

	2016	2015
Present value of defined benefits obligation	**P507,855,153**	P504,824,597
Fair value of plan assets	**(25,000,000)**	(25,000,000)
Retirement benefits liability	**P482,855,153**	P479,824,597

The amount of retirement benefits cost recognized in profit or loss in June 30 consist of:

	2016	2015
Current service cost	**P2,821,593**	P1,410,797
Interest expense on the defined benefit liability	**-**	-
Interest income on plan assets	**-**	-
	P2,821,593	P1,410,797

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

	2016	2015
Cumulative actuarial loss at beginning of year	**P11,906,398**	P71,133,477
Actuarial loss (gain) due to increase in defined benefit obligation	**185,819**	(59,227,079)
Effect of business combination	**-**	-
Cumulative actuarial loss at end of year	**P12,092,217**	P11,906,398

The cumulative actuarial loss, net of deferred income taxes, amounted to P28.76 million and P28.57 million as at June 30, 2016 and December 31, 2015, respectively, as presented in the consolidated statements of changes in equity.

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

	2016	2015
Discount rate	**4.89%**	5.32%
Future salary increases	**8.00%**	8.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 25.8 years.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase	Decrease
Discount rate (1% movement)	53,373,855	(25,219,866)
Future salary increase rate (1% movement)	112,197,550	(89,643,511)

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement obligation are paid directly by the Group when they become due.

Maturity analysis of the benefit payments:

			2016		
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P504,824,597**	**P106,371,652**	**P13,496,958**	**P26,786,698**	**P66,087,996**

			2015		
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	P504,824,597	P106,371,652	P13,496,958	P26,786,698	P66,087,996

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

The Group has no expected future contribution for 2016 and 2015.

27. Income Taxes

The income tax expense for the periods ended June 30 consists of:

	2016	2015
Income before income tax	**P4,541,852,096**	P4,050,188,265
Income tax expense at the statutory income tax rate:	**1,353,772,479**	1,215,165,245
Income tax effects of:		
Non-deductible interest expense	**4,745,491**	6,790,436
Share in net loss (income) of joint venture and associates	**(515,878)**	(6,155,041)
Other non-taxable items	**(38,578,386)**	(12,666,316)
Interest income subjected to final tax	**(7,284,730)**	(16,297,209)
Dividend income subjected to final tax	**(196,352)**	(2,678,889)
	P1,311,942,624	P1,184,157,326

The components of the Group's deferred tax liabilities (DTL) net of deferred tax assets (DTA) in respect to the following temporary differences are shown below:

	2016 DTA (DTL)	2015 DTA (DTL)
Accrued rent expense	**875,410,031**	P832,033,804
NOLCO	**165,812,229**	201,333,651
Retirement benefits liability	**148,470,766**	147,977,195
Allowance for impairment losses on receivables	**40,819,332**	50,242,456
Discounting of customers deposit	**36,174,840**	10,167,198
Security deposit adjustment (asset)	**2,225,582**	1,690,878
Recognition of DTA	**4,733,223**	126,818
Advanced rentals	**487,307**	487,307
Unrealized foreign exchange loss	**508,902**	583,065
Provision for gas cylinders	**510,000**	510,000
Actuarial losses	**278,934**	-
MCIT	-	2,259,650
Deferred rent income	-	27,541,101
DTA	**1,275,431,146**	1,274,953,123
Unrealized foreign exchange gain	**P(851,984)**	(986,305)
Return on plan assets	-	(136,661)
Prepaid rent	**(9,021,204)**	(8,366,357)
Discounting of customers deposit	**(37,607,314)**	(24,246,082)
Accrued rent income	**(318,881,029)**	(276,606,476)
Fair value of intangible assets from business combination	**(1,379,734,058)**	(1,379,734,058)
DTL	**(1,746,095,589)**	(1,690,075,939)
Net	**P470,664,443**	P(P415,122,816)

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefit liability.

28. Equity

The details of Parent Company's authorized, issued and outstanding capital stocks are as follows:

Amount

	Note	2016	2015
Authorized	1	**P10,000,000,000**	P10,000,000,000
Issued and outstanding:			
Balance at beginning of year		**P7,405,263,564**	P7,405,263,564
Stock issuances during the period	1	**-**	-
Balance at end of year		**P7,405,263,564**	P7,405,263,564

Number of shares

	Note	2016	2015
Authorized - (2016 - P1 par value, 2015 - P1 par value)	1	**10,000,000,000**	10,000,000,000
Issued and outstanding			
Balance at beginning of year		**7,405,263,564**	7,405,263,564
Stock issuances during the period	1	**-**	-
Treasury shares		**(21,309,183)**	(19,347,300)
Balance at end of year		**7,383,954,381**	7,385,916,264

Capital Stock and Additional Paid-in Capital

On June 28, 2007, the BOD approved the increase in the Parent Company's authorized capital stock from P700,000,000 to P3,000,000,000 divided into 300 billion common shares with the same rights and privileges and with a par value of P0.01 per share. On the same date, the BOD approved the issuance of up to 5% of the authorized capital stock of the Company to qualified employees and persons through an Employees Stock Ownership Plan.

On June 8, 2010, the SEC approved the Parent Company's application to increase its authorized capital stock as discussed above. In 2011, upon implementation of the capital increase, 25% of the additional P2.3 billion was subscribed through private placement and P100 million of which was subscribed through stock rights offering.

On April 22, 2013, the SEC approved the increase in the Parent Company's capital stock from P3,000,000,000 divided into 300,000,000,000 shares with par value of P0.01 each, to P10,000,000,000 shares with par value of P1.00 each.

The Parent Company has not yet implemented the stock option plan to qualified employees as at June 30, 2016 and December 31, 2015.

Treasury Stocks
On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. On November 2, 2015, the Parent Company renewed its authority to buy back its shares for another one year. As at June 30, 2016 and December 31, 2015, the Parent Company already bought back 21,309,183 and 19,347,300 shares with acquisition cost of P171,797,941 and P200,482,622, respectively and was classified in the Parent Company's book as treasury shares.

Retained Earnings
On December 18, 2015, the Company's BOD approved the declaration of a regular dividend of P0.06 per share and special dividend of P0.02 per share on record date of January 8, 2016 and payment date of January 18, 2016. The total amount of dividends amounted to P590,873,301.

On December 18, 2014, the Parent Company's BOD approved the declaration of a regular dividend of P0.02 per share and special dividend of P0.06 per share on record date of January 12, 2015 and payment date of February 5, 2015. The total amount of dividends amounted to P592,421,085.

In a meeting held on June 27, 2014, the Company's BOD approved the declaration of a regular cash dividend amounting to P444.32 million equivalent to P0.06 per share to stockholders of record as at July 11, 2014. The related cash dividends were paid on July 28, 2014.

The summary of dividends declared as at December 31, 2015 and 2014 is as follows:

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	June 27, 2014	July 11, 2014	July 28, 2014	P444,315,814
Cash	December 18, 2014	January 12, 2015	February 5, 2015	592,421,085
Cash	December 18, 2015	January 8, 2016	January 18, 2016	590,873,301
				P1,628,610,200

29. Segment Information

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

Grocery Retail	Includes selling of purchased goods to a retail market
Specialty retail	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of liquefied petroleum gas, filling and distributions of LPG cylinders as well as distributions to industrials, wholes and other customers.
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
Holding, oil and 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	
	2016	2015	**2016**	2015
Grocery retail	**P51,057,744,222**	P43,143,015,069	**2,266,818,269**	P2,006,445,688
Specialty retail	**5,404,299,336**	6,763,898,922	**301,330,501**	257,813,550
Liquor distribution	**2,382,249,044**	2,201,204,539	**234,574,213**	231,782,747
Real estate	**1,155,014,959**	1,137,716,423	**497,675,176**	473,418,710
Holding, oil and mining	**209,786**	566,756	**(70,488,687)**	(103,429,756)
Total	**P59,999,517,347**	P53,246,401,709	**3,229,909,472**	P2,866,030,939

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

	2016	2015
Grocery Retail		
From external customers	**P51,057,744,222**	P43,143,015,069
From intersegment sales	-	-
	51,057,744,222	43,143,015,069
Specialty retail		
From external customers	**5,402,910,556**	6,763,120,400
From intersegment sales	**1,388,780**	778,523
	5,404,299,336	6,763,898,923
Real estate		
From external customers	**802,222,467**	747,607,668
From intersegment sales	**352,792,493**	390,108,755
	1,155,014,960	1,137,716,423
Liquor distribution		
From external customers	**2,118,468,874**	2,089,397,018
From inter-segment sales	**263,780,170**	111,807,521
	2,382,249,044	2,201,204,539
Holding, oil and mining		
From external customers	**209,786**	566,755
From inter-segment sales	-	-
	209,786	566,755
Total revenue from external customers	**P59,381,555,905**	P52,743,706,909

No single customer contributed 10% or more to the Group's revenue for the periods ended June 30, 2016 and 2015.

Segment Assets and Liabilities

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

	2016	2015
Segment Assets		
Grocery retail	**P56,784,359,186**	P58,861,264,793
Real estate	**22,504,785,882**	21,739,306,188
Specialty retail	**3,887,765,830**	4,171,650,104
Liquor	**4,724,000,894**	5,698,727,753
Holding, oil and mining	**96,498,531,226**	97,286,639,754
Total segment assets	**184,399,443,018**	187,757,588,592
Intercompany assets	**88,638,035,818**	90,227,012,929
Total assets	**P95,761,407,199**	P97,480,732,465
Segment Liabilities		
Grocery Retail	**P16,105,753,399**	P20,448,048,031
Specialty retail	**1,035,496,544**	1,609,765,520
Real estate	**8,395,695,074**	8,122,868,508
Liquor	**1,910,188,383**	3,119,466,159
Holding, oil and mining	**8,727,176,746**	9,401,243,422
Total segment liabilities	**36,174,310,146**	42,701,391,640
Intercompany liabilities	**9,145,269,179**	10,579,988,167
Total liabilities	**P27,029,040,967**	P32,091,095,574

30. Basic/Diluted EPS Computation

Basic EPS is computed as follows:

	2016	2015
Net income attributable to equity holders of the Parent Company (a)	**P2,092,311,666**	P1,860,043,371
Weighted average number of ordinary shares (b)	**7,139,196,854**	7,150,616,037
Basic/Diluted EPS (a/b)	**P0.29307**	P0.2601

As at June 30, 2016 and 2015, the Group has no dilutive debt or equity instruments.

31. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

	Note	2016	2015
Cash in banks and cash equivalents	4	**P7,412,861,681**	P13,760,106,334
Short-term investments	5	**710,862,290**	561,955,978
Receivables – net	6	**5,041,700,776**	5,648,133,162
Investment in trading securities		**37,700,853**	34,432,591
Due from related parties	26	**184,980,789**	8,797,995
AFS – current	9	**9,501,431**	8,587,187
AFS - noncurrent*	11	**7,879,160**	7,879,160
Security deposits**	16	**1,463,799,087**	1,615,471,291
		P14,869,286,067	P21,645,363,697

**Included under investments*
***Included under noncurrent assets*

The following is the aging analysis per class of financial assets as at June 30 and December 31:

	2016					
	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P7,412,861,681	P	P	P	P	P7,412,861,681
Short-term investments	710,862,290	-	-	-	-	710,862,290
Receivables - net	2,254,041,808	729,129,857	555,279,027	1,107,991,107	173,401,640	5,041,700,776
Due from related parties	184,980,789	-	-	-	-	184,980,789
AFS - current	9,501,431	-	-	-	-	9,501,431
Investment in trading securities	37,700,853					37,700,853
AFS - noncurrent	7,879,160	-	-	-	-	7,879,160
Security deposits	1,463,799,087	-	-	-	-	1,463,799,087
	P12,081,627,099	P729,129,857	555,279,027	P1,107,991,107	P173,401,640	P14,869,286,067

	2015					
	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P13,760,106,334	P	P	P	P	13,760,106,334
Short-term investments	561,955,978	-	-	-	-	561,955,978
Receivables - net	4,645,852,972	1,208,736,223	487,769,932	1,264,526,942	203,795,694	7,810,681,764
Due from related parties	156,228,847	-	-	-	-	156,228,847
AFS - current	8,587,187	-	-	-	-	8,587,187
AFS - noncurrent	7,879,160	-	-	-	-	7,879,160
Security deposits	1,615,471,291	-	-	-	-	1,615,471,291
	P20,756,081,769	P1,208,736,223	487,769,932	P1,264,526,942	P203,795,694	23,920,910,561

The Group has assessed the credit quality of the following financial assets that are neither past due nor impaired as high grade:

a. Cash in bank and cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit risk for investment in trading securities and AFS financial assets are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational 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:

	As at June 30, 2016				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses(1)	7,515,133,564	7,515,133,564	7,515,133,564	P	p-
Short-term loans payable	3,912,500,000	3,912,500,000	3,912,500,000	-	-
Due to related parties	805,915,984	805,915,984	805,915,984	-	-
Long-term Debt including Current Portion	8,692,023,625	10,967,360,821	1,002,876,746	2,099,555,556	7,864,928,520
Other current liabilities(2)	466,930,127	466,930,127	466,930,127	-	-
Noncurrent accrued rent	2,689,255,758	2,689,255,758	37,509,240	316,670,942	2,335,075,576
	P24,081,759,058	P26,357,096,254	P13,740,865,661	P2,416,226,498	P10,200,004,096

(1) *Excluding statutory payables to the government.*

(2) *Excluding gift cheques, exclusive fund, VAT payable and promotion fund and other current liabilities.*

	As at December 31, 2015				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses[1]	P12,187,277,589	P12,187,277,589	P12,187,277,589	P	P-
Short-term loans payable	4,316,194,073	4,316,194,073	4,316,194,073	-	-
Trust receipts payable	5,182,021	-	-	-	-
Due to related parties	457,157,621	457,157,621	457,157,621	-	-
Long-term Debt including Current Portion	9,263,424,271	10,967,360,821	1,002,876,746	2,099,555,556	7,864,928,520
Other current liabilities[2]	441,864,861	441,864,861	441,864,861	-	-
Noncurrent accrued rent	2,492,888,910	2,492,888,910	18,684,176	272,574,829	2,201,629,905
	P29,163,989,346	P30,862,743,875	P18,424,055,066	P2,372,130,385	P10,066,558,425

[1] *Excluding statutory payables to the government.*
[2] *Excluding gift cheques, exclusive fund, VAT payable and promotion fund and other current liabilities.*

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. Short and long-term loan with fixed rate are not subject to interest rate risk.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	2016	2015
Financial assets		
Cash in banks	**P3,057,272,187**	P3,538,525,193
Money market placement	**4,355,589,494**	10,221,581,141
Short-term investments	**710,862,290**	561,955,978
	8,123,723,971	14,322,062,312
Financial Liability		
Notes payable	**12,604,523,625**	13,579,618,344
	P(4,480,799,654)	P742,443,968

The Group does not account for any fixed rate financial assets and liabilities at FVPL, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign Currency Risk

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.

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group defines capital as paid-up capital, remeasurements and retained earnings.

There were no changes in the Group's approach to capital management during the period.

32. Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at June 30, 2016 and December 31, 2015.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties and Security Deposits

The carrying amounts of cash and cash equivalents, short-term investments, receivables and due from related parties approximate their fair values due to the relatively short-term maturities of these financial instruments. In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Investments in Trading Securities and Available-for-Sale Financial Assets

The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates. Unquoted equity securities are carried at cost less impairment.

Accounts Payable and Accrued Expenses, Trust Receipts Payable, Due to Related Parties, Other Current Liabilities and Noncurrent Accrued Rent

The carrying amounts of accounts payable and accrued expenses, trust receipts payable, due to related parties and other current liabilities approximate the fair value due to the relatively short-term maturities of these financial instruments. The difference between the carrying amounts and fair values of noncurrent accrued rent and other current liabilities is considered immaterial by management.

Short and Long-term Loans including Current Maturities
The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Effective rates used in 2016 and 2015 ranges from 3.50% to 3.61% and 3.50% to 3.61%, respectively.

Fair Value Hierarchy
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: 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).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2016 and December 31, 2015, the Group's investment in trading securities and AFS were measured based on Level 1.

As at June 30, 2016 and December 31, 2015 the Group has no financial instruments valued based on Level 2 and 3 and has not introduced any movement among Levels 1, 2 and 3 classifications.

33. Reclassifications

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. These classifications did not have any effect on the Group's consolidated net income. These accounts follows:

	As Previously Reported	Effect of Reclassification	As Reclassified
Statement of Comprehensive Income			
Cost of sales	P43,720,733,405	P162,724,371	P43,558,009,035
Other operating income	P1,543,155,988	P162,724,371	P1,380,431,617