



COSCO capital

November 11, 2014 i n c o r p o r a t e d

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

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

Ms. Trixie Posadas
SEC Examiner

Philippine Stock Exchange
Ayala Avenue, Makati City

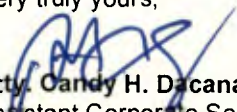
Attention: **Janet Encarnacion**
Head, Disclosure Department

Subject: **COSCO CAPITAL, INC. SEC 17-Q as of September 30, 2014**

GENTLEMEN:

Please see attached 3rd Quarter Financial Performance for CY 2014 of Cosco Capital, Inc. and its subsidiaries.

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)

1 2

Month

3 1

Day

SEC FORM 17-Q

(Form Type)

0 6

Month

2 7

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2014 3rd 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: September 30, 2014

2. Commission identification number: 147669

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

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

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

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

Republic of the Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of registrant's principal office:

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

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

(632) 524-9236 or 38

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

ALCORN GOLD RESOURCES, CORPORATION

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

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

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

Yes No

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

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

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

The following should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Report. The interim financial statements and notes thereto have been prepared in accordance with the Philippine Accounting Standard (PAS) 34 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 pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates the Group's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of a Group's financial leverage

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

Performance Indicators	2014	2013	2012
Return on investment	7.12%	8.88%	1.17%
Profit margin	6.08%	6.55%	304.22%
EBITDA to interest expense	35.19x	44.89x	n/a
Current ratio	2.35:1	2.6:1	340.72:1
Asset turnover	0.84x	1.05x	0.004x
Asset to equity	1.41:1	1.30:1	1:1
Debt to equity ratio	0.20:1	0.08:1	Debt free

These financial ratios were calculated based on the consolidated financial statements of Cosco Capital 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

Comparison of results of operations between September 30, 2014 and September 30, 2013

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P66.28 Billion during the nine-months period ended September 30, 2014 which reflects an increase of P40.55 Billion or representing a growth of 158% compared to last year's revenue for the same period of P25.73 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

On the other hand, Liquigaz Philippines, which was recently acquired on July 21, 2014, contributed the amount of P2.8 Billion to the Group's consolidated revenues and P68.9 Million to the Group's consolidated net income during the 2-months period ending September 30, 2014.

Table 1: Consolidated Income Statements

The table below shows the consolidated results of operations of the Group for the periods ended September 30, 2014 and 2013.

	2014		2013		INCREASE (DECREASE)	%
REVENUES	66,284	<i>100%</i>	25,737	<i>100%</i>	40,547	<i>158%</i>
COST OF SALES/SERVICES <i>(excluding depreciation and amortization)</i>	54,542	<i>82%</i>	20,884	<i>81%</i>	33,658	<i>161%</i>
GROSS PROFIT <i>(before depreciation and amortization)</i>	11,742	<i>18%</i>	4,853	<i>19%</i>	6,889	<i>142%</i>
OTHER OPERATING INCOME	2,088	<i>3%</i>	732	<i>3%</i>	1,356	<i>185%</i>
GROSS OPERATING INCOME	13,829	<i>21%</i>	5,585	<i>22%</i>	8,245	<i>148%</i>
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	7,141	<i>11%</i>	2,872	<i>11%</i>	4,269	<i>149%</i>
INCOME FROM OPERATIONS	6,688	<i>10%</i>	2,713	<i>11%</i>	3,976	<i>147%</i>
OTHER INCOME (CHARGES) - net	29	<i>0%</i>	71	<i>0%</i>	-42	<i>-59%</i>
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX	6,717	<i>10%</i>	2,784	<i>11%</i>	3,933	<i>141%</i>
DEPRECIATION AND AMORTIZATION EXPENSE	1,037	<i>2%</i>	387	<i>2%</i>	651	<i>168%</i>
INCOME BEFORE INCOME TAX	5,680	<i>9%</i>	2,397	<i>9%</i>	3,283	<i>137%</i>
INCOME TAX EXPENSE	1,647	<i>2%</i>	712	<i>3%</i>	934	<i>131%</i>
NET INCOME FOR THE PERIOD	4,033	<i>6%</i>	1,685	<i>7%</i>	2,348	<i>139%</i>
Net Income Attributable to:						
Equity holders of the Parent Company	2,560	<i>4%</i>	1,082	<i>4%</i>	1,478	<i>137%</i>
Non-controlling interests	1,473	<i>2%</i>	603	<i>2%</i>	870	<i>144%</i>
	4,033	<i>6%</i>	1,685	<i>7%</i>	2,348	<i>139%</i>

The observable out-of-range fluctuations between the 2014 and 2013 consolidated figures are mainly attributable to the relative effectivity dates of the consolidation of the acquired subsidiaries through the share swap transaction in June 2013 whereby the consolidated operating results for 2013 comparative period included only the operating results of the subsidiaries starting the month of June 2013 only whereas the Group's consolidated operating results for the current 2014 period included the operations of the subject subsidiaries from January to September 2014 together with the new acquired subsidiaries in 2014 from the effectivity dates of their respective acquisitions. (Please see Table 2 below).

program for its grocery retail, real estate and liquor distribution business segments as well as revenue contributions realized from the strategic acquisitions made during the period involving its commercial real estate portfolio as well as investments in specialty retailing business segment with the acquisition of Office Warehouse in February 2014 as well as Liquigaz Philippines in July 2014.

Growth in Net Income

During the same period, the Group realized a consolidated net income of P4.03 Billion which is higher by P2.35 billion representing a 139% increase as compared to last year's net income of P1.68 Billion. Net income attributable to equity holders of the parent company (PATMI) amounted to about P2.56 Billion in 2014 which increased by about P1.48 Billion or 137% as compared to the 2013 PATMI amounting to P1.08 Billion.

Segment Revenue & Net Income Contributions

Retail Segment

During the first 9-months period of 2014, the Group's retail business segment registered a consolidated revenue contribution amounting to P59.8 Billion or an increase of P35.46 Billion or 146% growth as compared to the segment's revenue contribution of P24.34 Billion for the same period of last year brought about by its continued aggressive stores expansion program. Consolidated net income contribution in 2014 amounted to P1.53 Billion which increased by P905.86 Million or 144% as compared to the net income contribution of P627.54 Million in the same period in 2013.

Real Estate Segment

The commercial real estate business segment contributed P975.7 Million to the Group's consolidated revenue in 2014 representing a growth of about P491.1 Million or 101% as compared to the same period last year amounting to P484.57 Million. This was mainly attributable to the segment's expanded commercial mall operations with the operations of its Fairview Terraces mall as well as the acquisition of NE Pacific Mall on February 11, 2014. Net income contribution in 2014 amounted to about P565.35 Million which increased by about P323.52 Million or 134% as compared to the net income contribution of P241.8 Million in 2013.

Liquor Distribution Segment

Similarly, the liquor distribution business segment contributed about P2.31 Billion to the Group's consolidated revenue during the same period in 2014 representing an increase by about P1.46 Billion or 170% higher as compared to the 2013 revenue contribution of P857.20 Million mainly attributable to its aggressive sales and marketing campaign. Net income contribution in 2014 amounted to about P361.05 Million which increased by P217.68 Million or 152% as compared to the net income contribution in 2013 amounting to P143.37 Million.

Specialty Retail

Office Warehouse, Inc., which was acquired in April 2014, contributed the amount of P307.6 Million to the Group's consolidated revenue and P10.4 Million to the Group's consolidated net income during the 5-months ending September 30, 2014.

Table 2 – Pro-forma Consolidated Income Statements

To enhance comparability and analysis of operating results between two periods, a set of pro-forma consolidated Income Statements are presented below together with additional applicable management discussion and analysis by way of supplemental disclosures pursuant to SRC Rule 68:

	2014		2013		INCREASE (DECREASE)		%
REVENUES	78,321	<i>100%</i>	68,611	<i>100%</i>	9,710	14%	
COST OF SALES/SERVICES <i>(excluding depreciation and amortization)</i>	65,852	<i>84%</i>	57,703	<i>84%</i>	8,148	14%	
GROSS PROFIT <i>(before depreciation and amortization)</i>	12,470	<i>16%</i>	10,908	<i>16%</i>	1,562	14%	
OTHER OPERATING INCOME	2,089	<i>3%</i>	1,544	<i>2%</i>	545	35%	
	14,559	<i>19%</i>	12,452	<i>18%</i>	2,108	17%	
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	7,333	<i>9%</i>	6,464	<i>9%</i>	868	13%	
INCOME FROM OPERATIONS	7,227	<i>9%</i>	5,988	<i>9%</i>	1,239	21%	
OTHER INCOME (CHARGES) - net	-8	<i>0%</i>	90	<i>0%</i>	-98	-109%	
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX	7,219	<i>9%</i>	6,078	<i>9%</i>	1,141	19%	
DEPRECIATION AND AMORTIZATION EXPENSE	1,128	<i>1%</i>	949	<i>1%</i>	180	19%	
INCOME BEFORE INCOME TAX	6,091	<i>8%</i>	5,129	<i>7%</i>	961	19%	
INCOME TAX EXPENSE	1,770	<i>2%</i>	1,409	<i>2%</i>	361	26%	
NET INCOME FOR THE PERIOD	4,321	<i>6%</i>	3,720	<i>5%</i>	600	16%	
Net Income Attributable to:							
Equity holders of the Parent Company	2,812	<i>4%</i>	2,414	<i>4%</i>	398	16%	
Non-controlling interests	1,508	<i>2%</i>	1,306	<i>2%</i>	202	15%	
	4,321	<i>6%</i>	3,720	<i>5%</i>	600	16%	

In the above Pro-forma Consolidated Income Statements, the operating results for the nine-months period ended September 30, 2014 of the three (3) subsidiaries acquired in 2014 are included in the pro-forma statements (together with their corresponding 2013 nine-months comparative operating results) on the basic assumption as if the acquisition of these consolidated subsidiaries acquired by purchase became effective on January 1, 2014.

Thus, on a pro-forma basis, the Group's consolidated revenues for the 9-months period ended September 30, 2014 would amount to P78.3 Billion for an increase by P9.7 Billion or a year-on-year growth of 14% as compared to the same period in 2013. Consequently, the Group's consolidated net income would amount to P4.3 Billion reflecting an increase by P600 Million or a year-on-year growth of 16% as compared to the net income of the same period last year.

Segment Operating Highlights

Retail

For the nine-month period ended September 30, 2014, the Retail Segment posted a consolidated net income of P3,007 million at 5.0% net margin, and an increase of 13.8% from P2,641 million at 5.1% in 2013 of the same period. This was due to the continuous expansion of the Retail Segment and combined management effort to boost revenue driven from old stores. Without the effect of interest income on short-term investment or on a recurring basis, normalized net income after tax would have increased by P501 million or 20.0% at 5.0% and 4.9% net margin for the nine-month periods ended September 30, 2014 and 2013, respectively. In previous year of the same period, the Retail Segment recognized interest income coming from the short-term investment of the proceeds from the P5 billion corporate notes issued by the Segment's parent company. The same notes were pre-terminated and paid in full in April of 2013 due to the changes in the applicable taxation rules. On the other hand, operating income increased by 19.4% from P3,599 million to P4,296 million for the nine-month periods ended September 30, 2013 and 2014, respectively.

For the nine-month period ended September 30, 2014, the Retail Segment posted a consolidated net sales of P59,800 million for an increase of P8,306 million or 16.1% compared to P51,494 million in the same period of 2013. New stores put up in 2013 were fully operating in 2014 increasing consolidated net sales in addition to robust like for like stores sales growth for the nine-month period ended September 2014. Consolidated like for like sales performance indicators of the group for the nine-month periods ended September 30 are as follow:

	2014	2013
Net Sales	2.8%	3.1%
Net Ticket	4.1%	4.9%
Traffic	-1.3%	-1.7%

For the nine-month period ended September 30, 2014, the Retail Segment realized an increase of 15.0% in consolidated gross profit from P8,919 million in 2013 to P10,252 million in 2014 of the same period, driven by strong sales growth from new and old stores and continuous suppliers' support through rebates and conditional discounts granted during the period. Consolidated gross profit margin was posted at 17.1% and 17.3% for the nine-month periods ended September 2014 and 2013 and 18.3% and 17.0% for the third quarter of 2014 and 2013, respectively.

Other operating income increased by P474 million or 30.9% from P1,536 million in the nine-month period ended September 2013 to P2,010 million in 2014 of the same period. This is attributable to increase in concession income, display allowance, rent income, membership income and service income driven mainly by new stores offering new spaces for product displays and booths for third party retailers and other promotions to increase customer and supplier's supports.

Operating expenses increased by P1,111 million or 16.2% from P6,856 million in the nine-month period ended September 2013 to P7,967 million in 2014 of the same period. The increase was mainly attributable to manpower cost of the Retail Segment's new stores, as well as rent expenses relative to new lease contracts, utilities expense, depreciation expense and taxes, all related to acquisitions and operation of new stores.

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 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.

For the months of August and September 2014, Liquigaz contributed the amount of ₱2.8 Billion to the Group's consolidated revenues and ₱68.6 Million to the Group's consolidated net income. However, the Company's 2014 nine-months year on year revenue and net income grew by 12% and 181% respectively, as compared to its 2013 operating results.

IV. FINANCIAL CONDITION

Table 3: Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group:

	2014	%	2013	%	INCREASE (DECREASE)	%
A S S E T S						
Current Assets						
Cash and cash equivalents	11,554	14%	14,744	20%	-3,190	-22%
Receivables – net	3,624	4%	2,497	3%	1,127	45%
Available-for-sale financial assets	41	0%	40	0%	1	1%
Short-term investments		0%	500	1%	-500	-100%
Inventories	12,964	16%	10,355	14%	2,609	25%
Advances to related parties	34	0%		0%	34	100%
Prepayments and other current assets	2,577	3%	1,703	2%	874	51%
	30,794	37%	29,839	40%	955	3%
NONCURRENT ASSETS						
Noncurrent Assets						
Property and equipment - net	15,126	18%	13,481	18%	1,645	12%
Investment properties - net	12,380	15%	11,672	16%	708	6%
Intangible assets	21,085	26%	18,001	24%	3,084	17%
Investments	910	1%	440	1%	470	107%
Deferred oil and mineral exploration costs	119	0%	119	0%		0%
Deferred tax assets – net	97	0%	53	0%	44	82%
Others	1,910	2%	1,518	2%	391	26%
	51,626	63%	45,283	60%	6,342	14%
TOTAL ASSETS	82,420	100%	75,122	100%	7,297	10%

LIABILITIES AND EQUITY

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	7,419	31%	11,611	57%	-4,191	-36%
Income tax payable	836	3%	735	4%	101	14%
Loans payable - short term	3,337	14%	1,212	6%	2,125	175%
Current maturities of long-term debt, net of debt issue costs	962	4%		0%	962	100%
Trust receipts payable		0%	17	0%	-17	-100%
Others	455	2%	414	2%	41	10%
	13,105	55%	13,988	69%	-883	-6%

Noncurrent Liabilities

Retirement benefit cost	299	1%	293	1%	6	2%
Deferred tax liabilities	801	3%	939	5%	-138	-15%
Long term debts - net of current portion	7,498	31%	3,452	17%	4,046	117%
Others	2,294	10%	1,620	8%	674	42%
	10,892	45%	6,303	31%	4,588	73%
Total Liabilities	23,997	100%	20,291	100%	3,706	18%

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Equity

Capital stock	7,405	13%	7,405	14%		0%
Additional paid-in capital	9,635	16%	9,635	18%		0%
Reserve for retirement plan - net of tax	-3	0%	-3	0%		0%
Cumulative unrealized gain on AFS financial assets	1	0%	5	0%	-4	-80%
Retained earnings	25,164	43%	23,040	42%	2,124	9%
Total Equity Attributable to Equity Holders of Parent Company	42,202	72%	40,082	73%	2,120	5%
Treasury shares	-245		-245	0%		0%
	41,957		39,837			
Non-controlling interest	16,465	28%	14,994	27%	1,472	10%
	58,423	100%	54,831	100%	3,592	7%
TOTAL LIABILITIES AND EQUITY	82,420		75,122		7,297	10%

Current Assets

Cash and cash equivalents amounted to P11.4 billion as at September 30, 2014 with a decrease of P3.2 billion from December 31, 2013 balance or an 22% decrease due basically to the net effect of the Parent Company's new strategic business acquisitions during the current period, coupled by significant decrease in cash of the Retail Segment used in settling their trade liabilities, payment of 2013 cash dividends and capital expenditure for new stores expansion in 2014. However, the Group's funding position was reinforced by the Parent Company's successful issuance of a P5-Billion long-term corporate notes facility sometime in May 2014.

Receivables increased by 45% from December 31, 2013 balance of P2.5 billion to this period's balance of P3.6 billion due mainly to the net effect of the consolidation of a subsidiary acquired in 2014.

Inventories increased by 25% from 2013 balance of P10.4 billion to this period's balance of P13.0 billion due to the retail segment's expansion and additional stocking requirement of the new and existing stores as well as the additional stocking requirements of the liquor distribution segment preparatory to the 4th quarter incremental sales volume. Bulk of the inventory account pertains to the merchandise inventory stocks of the retail segment amounting to P10.5 billion.

Prepayments and other current assets increased by P874 million or 51% at the end of September 2014, due primarily to rent, insurance, taxes, permits and licenses and input taxes in relation to opening of new stores and advances made to suppliers.

Non-current Assets

As at September 30, 2014 and December 31, 2013, total non-current assets amounted to P51.6 billion or 63% of total assets, and P45.3 billion or 60% of total assets, respectively, for an increase of P6.3 billion or 14%.

Property and equipment pertains to the buildings and equipment mostly owned by the Retail segment. Book values of property and equipment increased by P1.6 billion from P13.48 billion in December 2013 to P15.1 billion in September 2014 due principally to additional capital expenditures incurred by the Retail Segment for the development and establishment of new stores as well as those arising from the business acquisitions made by the Parent company during the current period.

Investment properties pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of property and equipment increased by P713 million or 6% from P11.7 billion in December 2013 to P12.4 billion in September 2014 due principally to the additional commercial mall assets resulting from the acquisition of NE Pacific Shopping Centers Corp. in February 2014.

Similarly, intangible assets increased by P3.1 billion in 2014 representing additional goodwill amounts paid resulting from the acquisitions of NE Pacific Shopping Centers Corporation, Office Warehouse, Inc. and Liquigaz Philippines Corporation during the nine-month period.

Investments increased by P470 million or 107% from P440 million in December 2013 to P910 million in September 2014. This was due mainly to equity investments made by the Retail Segment in June 2014, into a joint venture company with Lawson Asia Pacific Holdings PTE. LTD. and Lawson, Inc. to pursue the establishment and operations of convenient stores in the Philippines. Likewise, some equity investments arising from acquisition of Liquigaz Philippine Corporation contributed to the increase in this account.

Other non-current assets increased by P391 million from P1.5 billion in December 2013 to P1.9 billion in September 2014. About 63% of these assets are attributable to the 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 Retail Segment as well as accrued rental income (PAS17) pertaining to future periods for both the Real Estate and the Retail Segments.

Other income net of other expenses increased by P13 million or 244.9% for the nine-month period ended September 2014 compared to the same period of previous year. This was due to recognition of gain on insurance claims and unrealized gain on the fair market value of investments in trading securities both amounting to P7 million.

Interest income amounted to P13 million as of September 30, 2014 from P148 million in the same nine-month period in 2013. This was due to the absence of interest income recognized in previous year of the same period, coming from the short-term investment of the proceeds from the P5 billion corporate notes issued by the Retail Segment's parent company. The same notes were pre-terminated and paid in full in April of 2013 due to the changes in applicable taxation rules.

Real Estate

The Group's Real Estate Segment posted P1.42 Billion revenue in the nine-month period ended September 30, 2014 or an 8% increase from P1.3 Billion in the previous year. The acquisition of NE Pacific Shopping Centers Corporation and the opening of Fairview Terraces Mall expanded the Group's commercial mall portfolio and mainly contributed to the increase of the segment's revenue.

Income from operations before depreciation increased by P121 million from P759 million of the nine-month period ended September 30, 2014.

Real Estate Segment's net income for the period amounted to P565.35 million or a 19% increase from last year's P475.79 million brought about by growth in revenue and decrease in operating expenses and interest expenses.

Liquor Distribution

Revenue from the Liquor Distribution Segment increased to P2.71 billion in 2014 or 31% growth from last year's P2.07 billion. The growth in revenue is attributable to the increase in sales of the spirits sector particularly whisky and brandy. Wines and specialty beverages also experienced dramatic growths in the current year and contributed to the segment's overall sales growth.

Income from operations increased to P477 million in 2014 or 26% higher from last year's P380 million.

Net income for the 2014 period increased by P87 million from P274 million in 2013 to P361 million in 2014 or a 32% growth.

Specialty Retail

The Group's Specialty Retail Segment was initially established with the acquisition of 100% equity interest in Office Warehouse, Inc., a chain of 47 specialty retail outlets engaged in selling school and office supplies, technology items, home/office furniture and equipment and related products that was consolidated with the Group starting May 1, 2014.

For the five-months ending September 30, 2014, Office Warehouse contributed the amount of P307.6 Million to the Group's consolidated revenue and P10.4 Million to the Group's consolidated net income.

Current Liabilities

As at September 30, 2014 and December 31, 2013, total current liabilities amounted to P13.1 billion and P14 billion respectively, for a decrease of P883 million or 6%.

About 67.8% of accounts payable and accrued expenses pertains to the trade payable to suppliers by the Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate segment and suppliers of Liquor Distribution. The decrease by P4.2 billion or 36% was primarily due to net settlement of trade and non-trade liabilities and payment of cash dividend to stockholders by the Retail Segment.

Significant portion of the income tax payable pertains to that of the Retail Segment. The increase by P101 million from P735 million as at December 2013 to P836 million as at September 2014 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the nine-months period in 2014 in relation to the same period in 2013.

Trust receipts payable decreased by P17 million due to settlement made on all outstanding liabilities for purchases made for goods covered under the trust receipts agreement by the Retail segment.

Loans/notes payable account increased by P2.1 billion mainly due to additional loans availed during 2014 principally by the Real Estate segment to refinance outstanding working capital loans and advances and those arising from the consolidation of a newly acquired subsidiary resulting from business acquisitions.

Current maturities of long term loans net of debt issue cost increased by P962 million due to reclassification of long-term loans that falls due within 1 year.

Other current liabilities increased by 10% from P414 million as at December 31, 2013 to P455 million as at September 30, 2014 relatively due to the net effect of recognition of other supplier transactions, VAT payable and promo funds from various suppliers during the period from the Retail Segment.

Noncurrent Liabilities

As at September 30, 2014 and December 31, 2013, total non-current liabilities amounted to P10.9 billion and P6.3 billion, respectively, for an increase of P4.6 billion or 73% significantly attributable to the issuance by the Parent Company of the P5.0 Billion corporate notes facility in May 2014.

About 88% of the retirement benefits liability pertains mostly to the Retail segment. The increase was due to recognition of obligation incurred based on the latest independent actuarial report in accordance with PAS 19 – *Employee Benefits* and those arising from business acquisitions in 2014.

The movement of long-term debt pertains to the availment of P5 Billion corporate notes by the Parent Company in May 2014 decreased by the reclassification of P962.3 Million current maturing long term loan of the Retail segment to current liabilities.

Other non-current liabilities, which is primarily composed of non-current accrued rent, increased by P674 million or 42% from P1.6 billion as at December 31, 2013 to P2.3 billion as at September 30, 2014 due to recognition of rent expense for lease contracts entered into by the Group and its subsidiaries in compliance with PAS 17 – *Leases*.

V. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	<u>For the nine-month period ended</u> <u>September 30</u>	
	2014	2013
Net cash flows used in operating activities	(1,639,841,073)	1,410,052,640
Net cash flows used investing activities	(7,531,906,044)	2,609,019,075
Net cash flows provided by financing activities	5,980,512,380	9,726,166,106
Net increase in cash and cash equivalents	(3,191,234,737)	11,609,623,857

Net cash used in operating activities during the current period amounting to about P1.5 Billion is basically attributable to the net effect of the net settlement of trade payable accounts by the Retail Segment during the period.

On the other hand, net cash flows used by investing activities mainly pertains to the funds used for strategic business acquisitions by the Parent Company and other related equity investments as well as additional capital expenditures for new stores development and expansion made by the Retail Segment during the period.

Net cash inflows from financing activities principally resulted from the net proceeds from the P5-Billion corporate notes issued by the Parent Company in May 2014, the additional loan availments by the Real Estate segment, the effect of consolidation of a newly-acquired subsidiary and reduced by loan repayments by the Liquor Distribution segment as well as finance costs paid during the period.

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

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

- (i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;
- (ii) There are no unusual transactions during the year. However, there are material changes in the financial statements caused by the consolidation of 12 companies as effect of the subscription agreement entered on April 16, 2013. Details of changes are discussed as follows;

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

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

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

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

In addition, the following significant events had transpired in 2014:

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

Cosco Capital, Inc. finalized the acquisition of the outstanding shares of Office Warehouse, Inc. pursuant to agreement to purchase signed on February 18, 2014. Office Warehouse, Inc. is a retailer of office and school supplies with 47 stores.

On May 16, 2014, Cosco Capital, Inc. entered into a Five Billion Corporate Notes Facility Agreement with syndicate of institutional lenders composed of banks and insurance companies. The facility consists of seven (7) year and ten (10) year notes. The funds will be used for strategic acquisition and general corporate notes.

On June 11, 2014, Cosco Capital, Inc. and its subsidiary, Alcorn Petroleum and Mining Corporation entered into Deed of Assignment of rights and interest over Service Contracts including transfer of assets, privilege duties and obligations.

On July 21, 2014, Canaria Holdings Corporation, a Philippine registered corporation which is owned 90% by Cosco Capital, Inc. entered into a Deed of Assignment with PR Gaz, Inc. for the acquisition of 100% equity of Liquigaz Philippines involving a total consideration of about P3.456 Billion.

- (iii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;
- (iv) On June 27, 2014, the Board of Directors of Cosco Capital, Inc. declared and approved the payment of cash dividends amounting to P0.06 per share payable to all qualified shareholders as of the record date of July 11, 2014 payable on July 28, 2014.
- (v) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;
- (vi) There are no contingent liabilities or assets since the last statement of financial position period;
- (vii) Sources of liquidity – Funding will be sourced from internally generated cash flow, cash recently received from the sale of shares to the equity market and from debt market;
- (viii) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;
- (ix) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;
- (x) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;
- (xi) There are no significant elements of income not arising from continuing operations;
- (xii) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

PART II--OTHER INFORMATION

Disclosure not made under SEC Form 17-C - None

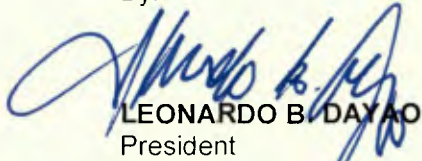
SIGNATURE

Pursuant to the requirements of the Securities and Regulation Code, the Issuer has duly caused this 3rd Quarter Financial Statements of Cosco Capital, Inc. and its subsidiaries for the year 2014 to be signed on its behalf by the undersigned thereunto duly authorized.


November 11, 2014, City of Manila.

COSCO CAPITAL, INC.

By:



LEONARDO B. DAYAO
President



TEODORO A. POLINGA
Group Comptroller

SECTION A

COSCO CAPITAL, INC.
UNAUDITED INTERIM FINANCIAL STATEMENTS
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For the Period Ended September 30, 2014 and 2013

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For the Period Ended September 30, 2014 and 2013

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COSCO CAPITAL , INC.
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COSCO CAPITAL, INC. AND SUBSIDIARIES

KEY PERFORMANCE INDICATORS

September 30, 2014, 2013 and 2012

Performance Indicators	2014	2013	2012
Return on investment	7.12%	8.88%	1.17%
Profit margin	6.08%	6.55%	304.22%
EBITDA to interest expense	35.19x	44.89:1	n/a
Current ratio	2.35:1	2.6:1	340.72:1
Asset turnover	0.84x	1.05x	0.004x
Asset to equity	1.41:1	1.37:1	1:1
Debt to equity ratio	0.20:1	0.08:1	Debt free

SECTION A

COSCO CAPITAL, INC.
UNAUDITED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

As at September 30, 2014 and December 31, 2013

(In Philippine Peso)

	NOTES	2014 (UNAUDITED)	2013
A S S E T S			
Current Assets			
Cash and cash equivalents	6	11,553,956,604	14,744,149,987
Receivables - net	7	3,623,642,370	2,496,631,261
Available-for-sale financial assets	8	40,905,846	40,325,856
Short-term investments	14	-	500,000,000
Advances to related parties		33,682,249	-
Inventories	9	12,964,158,543	10,354,718,168
Prepayments and other current assets	10	2,577,398,124	1,702,982,309
		30,793,743,736	29,838,807,581
NONCURRENT ASSETS			
Noncurrent Assets			
Property and equipment - net	11	15,125,569,180	13,480,715,044
Investment properties - net	12	12,380,199,180	11,672,008,123
Intangible assets	13	21,085,047,005	18,000,887,819
Investments	14	909,815,678	439,775,237
Deferred oil and mineral exploration costs	15	118,923,605	118,829,183
Deferred tax assets - net		96,588,475	52,941,791
Others	16	1,909,753,331	1,518,331,385
		51,625,896,454	45,283,488,582
TOTAL ASSETS		82,419,640,189	75,122,296,163
LIABILITIES AND EQUITY			
L I A B I L I T I E S			
Current Liabilities			
Accounts payable and accrued expenses	17	7,419,240,819	11,610,615,517
Income tax payable		836,049,802	734,939,892
Loans payable - short term	18	3,336,941,781	1,212,000,000
Current maturities of long-term debt, net of debt issue costs	18	962,313,938	-
Trust receipts payable		-	16,543,219
Advances from related parties		95,516,633	-
Others		455,127,324	413,894,807
		13,105,190,297	13,987,993,435
Noncurrent Liabilities			
Retirement benefit cost	26	299,767,780	293,041,032
Deferred tax liabilities		801,200,349	938,849,665
Long term debts - net of current portion	18	7,498,149,736	3,451,714,933
Others	19	2,292,690,431	1,619,876,113
		10,891,808,296	6,303,481,743
Total Liabilities		23,996,998,593	20,291,475,178
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Equity			
Capital stock	20	7,405,263,564	7,405,263,564
Additional paid-in capital		9,634,644,229	9,634,644,229
Reserve for retirement plan - net of tax		(2,520,490)	(2,520,490)
Cumulative unrealized gain on AFS financial assets		916,095	4,565,462
Retained earnings		25,156,523,897	23,039,953,941
Total Equity Attributable to Equity Holders of Parent Company		42,194,827,295	40,081,906,706
Treasury shares		(244,757,527)	(244,757,527.00)
		41,950,069,768	39,837,149,179
Non-controlling interest		16,472,571,828	14,993,671,806
		58,422,641,597	54,830,820,985
TOTAL LIABILITIES AND EQUITY		82,419,640,189	75,122,296,163

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

For the Period Ended September 30, 2014 and 2013

(In Philippine Peso)

	NOTES	2014 (UNAUDITED)	2013
REVENUES	21	66,283,735,224	25,736,704,785
COST OF SALES / SERVICES	22	54,541,906,690	20,883,653,148
GROSS PROFIT		11,741,828,533	4,853,051,637
OTHER OPERATING INCOME	23	2,087,507,752	731,767,187
		13,829,336,285	5,584,818,824
OPERATING EXPENSES	24	7,141,099,179	2,872,197,873
INCOME FROM OPERATIONS		6,688,237,106	2,712,620,952
OTHER INCOME (CHARGES) - net	25	28,911,245	71,208,500
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX		6,717,148,351	2,783,829,452
DEPRECIATION AND AMORTIZATION EXPENSE	11,12,13	1,037,392,213	386,857,551
INCOME BEFORE INCOME TAX		5,679,756,138	2,396,971,901
INCOME TAX EXPENSE		1,646,787,497	712,311,770
NET INCOME FOR THE PERIOD		4,032,968,642	1,684,660,131
Net Income Attributable to:			
Equity holders of the Parent Company		2,552,593,620	1,081,731,664
Non-controlling interests		1,480,375,021	602,928,467
		4,032,968,642	1,684,660,131
<i>Earnings per share</i>		0.36	0.28

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

For the Three Months Ended September 30, 2014 and 2013

(In Philippine Peso)

	2014	2013
REVENUES	25,693,583,635	19,476,156,542
COST OF SALES/SERVICES <i>(excluding depreciation and amortization)</i>	21,071,980,048	15,912,842,212
GROSS PROFIT <i>(before depreciation and amortization)</i>	4,621,603,587	3,563,314,329
OTHER OPERATING INCOME	810,970,166	531,817,042
	5,432,573,753	4,095,131,372
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	2,523,889,940	2,167,356,572
INCOME FROM OPERATIONS	2,908,683,813	1,927,774,800
OTHER INCOME (CHARGES) - net	(64,349,382)	49,068,342
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX	2,844,334,430	1,976,843,142
DEPRECIATION AND AMORTIZATION EXPENSE	355,817,144	293,715,728
INCOME BEFORE INCOME TAX	2,488,517,286	1,683,127,415
INCOME TAX EXPENSE	768,620,220	492,207,447
NET INCOME FOR THE PERIOD	1,719,897,066	1,190,919,968
Net Income Attributable to:		
Equity holders of the Parent Company	1,052,399,661	765,106,680
Non-controlling interests	667,497,405	425,813,288
	1,719,897,066	1,190,919,968
<i>Earnings per share</i>	0.15	0.19

COSCO CAPITAL, INC. AND SUBSIDIARIES

(Formerly Alcorn Gold Resources Corporation)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Period Ended September 30, 2014 and 2013

(in Philippine Peso)

	Equity Attributable to Equity Holders of Parent							Non-controlling Interest	Total
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Reserve for retirement plan	Treasury Shares	Reserve in changes of Available-for-sale Financial Assets	Total		
Balance at January 1, 2013	1,275,000,000	-	98,202,992	-	-	2,623,692	1,375,826,684	-	1,375,826,684
Issuance during the year	6,130,263,564	10,004,297,991	-	-	-	-	16,134,561,555	-	16,134,561,555
Effect of business combination Non-controlling interest from business combination	-	-	20,794,051,143	-	-	-	20,794,051,143	14,168,275,450	20,794,051,143
Comprehensive income	-	-	1,081,731,664	-	-	(49,452)	1,081,682,212	602,928,467	1,684,610,679
Balance at September 30, 2013	7,405,263,564	10,004,297,991	21,973,985,799	-	-	2,574,240	39,386,121,594	14,771,203,917	54,157,325,511
Balance at January 1, 2014	7,405,263,564	9,634,644,229	23,048,246,090	(2,520,490)	(244,757,527)	916,095	39,841,791,962	14,993,671,806	54,835,463,768
Effect of additional acquisition	-	-	-	-	-	-	-	(1,474,989)	(1,474,989)
Dividends declared	-	-	(444,315,814)	-	-	-	(444,315,814)	-	(444,315,814)
Comprehensive income	-	-	2,552,593,620	-	-	-	2,552,593,620	1,480,375,021	4,032,968,642
Balance at September 30, 2014	7,405,263,564	9,634,644,229	25,156,523,896	(2,520,490)	(244,757,527)	916,095	41,950,069,768	16,472,571,828	58,422,641,597

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

For the Period Ended September 30, 2014 and 2013

(In Philippine Peso)

	NOTES	2014 (UNAUDITED)	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,679,756,138	2,396,971,901
Adjustments for:			
Depreciation and amortization	11,12,1	1,037,392,213	386,857,551
Finance cost	24	190,864,204	22,432,384
Unrealized foreign exchange gain		(1,041,354)	(206,767)
Finance income	6,25	149,406,892	(62,014,526)
Retirement benefit expense	26	-	23,933,661
Operating cash flows before changes in working capital		7,056,378,093	2,767,974,204
Decrease (increase) in operating assets:			
Receivables		(1,127,011,109)	3,356,843,731
Inventories		(2,609,440,375)	(944,135,515)
Advances to related parties		(33,682,249)	-
Prepayments and other current assets		(874,415,815)	173,275,076
Other non-current assets		(278,472,115)	(41,318,088)
Increase (decrease) in operating liabilities:			
Accounts payable, accrued expenses and other liabilities		(4,191,374,698)	(3,856,136,852)
Trust receipts payable		(16,543,219)	(6,293,430)
Advances from related parties		95,516,633	-
Deferred credits		-	(87,427,609)
Other current liabilities		41,232,517	-
Other noncurrent liabilities		672,814,318	564,600,101
Cash generated from (used in) operations		(1,264,998,019)	1,927,381,618
Income taxes paid		(374,843,054)	(517,328,978)
Net cash from (used in) operating activities		(1,639,841,073)	1,410,052,640

CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from short-term investment	500,000,000	-
Cash arising from business combination	337,650,054	2,743,591,659
Finance income received	6,24 (149,406,892)	62,014,526
Additions to oil and mineral exploration	(94,422)	(1,086,121)
Net disposals of available-for-sale financial assets	(4,229,357)	-
Additions to investment properties	(577,009,537)	(195,447,638)
Payments for equity investments	(470,040,441)	-
Additions to property and equipment	(738,643,443)	-
Payment for the acquisition of investment in subsidiaries	(6,430,132,006)	-
Payments for intangible assets	-	(53,351)
Net cash from (used in) investing activities	(7,531,906,044)	2,609,019,075
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments of loan borrowings	6,171,376,584	-
Finance costs paid	24 (190,864,204)	(22,432,384)
Proceeds from issuance of capital stock	17 -	12,000,000,001
Payments for share issue cost	17 -	(852,844,867)
Proceeds from subscribed capital stocks	-	(1,398,556,644)
Net cash from financing activities	5,980,512,380	9,726,166,106
EFFECTS OF FOREIGN EXCHANGE RATE		
CHANGES ON CASH AND CASH EQUIVALENTS	1,041,354	206,767
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,190,193,383)	13,745,444,588
CASH AND CASH EQUIVALENTS AT BEGINNING		
OF THE PERIOD	14,744,149,987	998,705,399
CASH AND CASH EQUIVALENTS AT END		
OF THE PERIOD	11,553,956,604	14,744,149,987

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

1. CORPORATE INFORMATION

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

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

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

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

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

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

On July 17, 2014, Cosco Capital, Inc. signed an agreement with Canaria Holdings Corporation to subscribe 32,500 shares of the latter. The subscription represents 90% ownership interest.

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.

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

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

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.01 Statement of Compliance

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

2.02 Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

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

The following are the subsidiaries of the Parent Company:

	Percentage of Ownership	
	2014	2013
Puregold Price Club, Inc.	51%	51%
Montosco, Inc.	100%	100%
Meritus Prime Distributions, Inc.	100%	100%
Premier Wine and Spirits, Inc.	100%	100%
Nation Realty, Inc.	100%	100%
118 Holdings	100%	100%
Patagonia Holdings Corp.	100%	100%
Ellimac Prime Holdings, Inc.	100%	100%
Fertuna Holdings Corp.	100%	100%
Pure Petroleum Corp.	100%	100%
Alcorn Petroleum and Minerals Corporation	100%	100%
NE Pacific Shopping Centers Corporation	100%	-
Office Warehouse, Inc.	100%	-
Canaria Holdings Corporation	90%	-

Puregold Price Club, Inc. (PPCI)

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

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

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

Montosco, Inc.

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

Meritus Prime Distributions, Inc.

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

Premier Wine and Spirits, Inc.

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

Nation Realty, Inc.

Incorporated and registered with SEC on March 27, 1969 to acquire by purchase or lease, or otherwise, land and interest therein, and to own, hold improve, develop, and manage any real estate acquired and to erect or cause to be erect or cause to be erected on any lands owned, hold or occupied by the corporation, building or other structures with their appurtenances, and to acquire, own, lease or otherwise possess, rebuild, enlarge or improve any buildings or structures now or hereafter erected on any lands, and to mortgage, sell, lease or otherwise dispose of any lands and buildings or other structures at any time owned or held by the corporation.

118 Holdings

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

Patagonia Holdings Corp.

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

Ellimac Prime Holdings, Inc.

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

Fertuna Holdings Corp.

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

Pure Petroleum Corp.

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

Alcorn Petroleum and Minerals Corporation

Incorporated and registered with SEC on July 9, 2009 with primary purpose to carry on in the Philippines or elsewhere the business of exploration, discovery, development and exploitation of mineral oils, petroleum and in its natural state, rock or carbon oils, natural gas and all kinds of ores, metals, minerals and natural resources and the products and byproducts thereof; to process, manufacture, refine, prepare for market, buy, sell, exchange, lease, "acquire thru Service Contracts, Participating Agreements and all other forms of contracts or concessions dealing in lands, mines and mineral rights and claims, and to conduct all business appertaining thereto; to purchase, lease, acquire, or otherwise, to own, hold and maintain, and to mortgage, pledge, lease, acquire, or otherwise, to own, hold and maintain, and to mortgage, pledge, lease, sell or otherwise dispose of petroleum, gas and oil and, concessions, leases, royalties, and permits, lands and real estate of all kinds and the oil, gas and mineral rights and interest therein, to develop such lands, concessions, lease, rights and interests by and to enter into, acquire, carry out and execute contracts for drilling wells and installation of rigs, platforms, machinery and equipment; to construct, erect, and build, to purchase, lease or otherwise acquire, to own, manage, or in any manner dispose of or encumber, pipelines, plants, refineries, stations, systems, tank cars, vessels, appliances, machinery, structures, equipment and facilities of all kinds for manufacturing, treating, processing, concentrating, distilling, and in any manner dealing in gas, petroleum and other oils, minerals, and volatile substances, asphalt, bitumen and bituminous substances and other similar products of every kinds and character for any and all purposes whatsoever; to carry on and conduct the general business of mining, to acquire and perform all powers conferred by law on said mining business, within and outside of the Philippines and for the carrying of all activities incidental thereto.

NE Pacific Shopping Centers Corporation

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

Office Warehouse, Inc.

Office Warehouse, Inc. was incorporated on August 20, 1997 to primarily engage in trading of goods such as office and school supplies and equipment on wholesale or retail basis.

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

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

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

- **PFRS 13, *Fair Value Measurement***

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

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

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

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

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

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

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

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

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

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

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

Canaria Holdings Corporation

Canaria Holdings Corporation was incorporated in the Philippines on June 5, 2013 to primarily to operate as an investment holding corporation.

The consolidated financial statements also include the following subsidiaries owned through Canaria Holdings Corporation:

Subsidiaries	Percentage of Ownership	
	2014	2013
Liquigaz Philippine Corporation	100%	-
Calor Phils. Holding Inc.	60%	-

2.03 Functional and Presentation Currency

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

2.04 Changes in Accounting Policies and Disclosures

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

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

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

- PFRS 10, *Consolidated Financial Statements*

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

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

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

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

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

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

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

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

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

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

PAS16, *Property, Plant and Equipment*–It clarifies that servicing equipment should be classified as property, plant and equipment when it is used during more than one period and as inventory otherwise.

PAS32, *Financial instruments: Presentation*–It clarifies that income tax relating to distributions to holders of an equity instrument and income tax relating to transaction costs of an equity transaction should be accounted for in accordance with PAS 12 *Income Taxes*.

PAS34, *Interim Financial Reporting*–It clarifies that the requirements in PAS 34 relating to segment information for total assets for each reportable segment in order to enhance consistency with the requirements in PFRS 8, *Operating Segments*. The amendment clarifies that total assets for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements.

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

2.05 Future Changes in Accounting Policies

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

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

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

PFRS 9 requires all recognised financial assets that are within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, to be subsequently

measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.01 Financial Assets

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

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

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

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

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

Effective Interest Method

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

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

Amortized Cost

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

Financial Assets at FVTPL

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

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

Available-for-sale Financial Assets

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

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

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

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

Loans and Receivables

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets

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

3.02 Business Combinations

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

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

3.03 Acquisition of Non-controlling Interests

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

3.04 Inventory

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

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

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

3.05 Investment Property

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

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

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

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

Buildings	10-25
Land improvements	25-50

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

3.06 Property and Equipment

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

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

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

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

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

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

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

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

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

3.07 Intangible Assets

Goodwill

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

Intangible Assets Acquired Separately

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

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

Derecognition of intangible assets

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

3.08 Impairment of Assets

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

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

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

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

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

3.09 Borrowing Costs

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

3.10 Financial Liabilities and Equity Instruments

Classification as Debt or Equity

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

Equity Instruments

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

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

Financial Liabilities

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

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

Other Financial Liabilities

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

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

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

Derecognition of Financial Liabilities

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

3.11 Offsetting of Financial Instruments

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

3.12 Employee Benefits

Short-term Benefits

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

Post-employment Benefits

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

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

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

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

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

3.13 Provisions

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

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

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

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

3.14 Revenue Recognition

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

Sale of Goods

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

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

Rendering of Services

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

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

Finance Income

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

Rental Income

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

3.15 Expense Recognition

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

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

3.16 Leasing

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

The Group as Lessor

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

The Group as Lessee

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

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

3.17 Foreign Currency Transactions

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

3.18 Related Parties and Related Party Transactions

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

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

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.

- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

3.19 Jointly Controlled Operation

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

3.20 Taxation

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

Current Tax

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

Deferred Tax

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

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

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

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

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

Current and Deferred Tax for the Period

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

3.21 Segment Reporting

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

3.22 Earnings Per Share

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

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

3.23 Events after the Reporting Period

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.01 Critical Judgments in Applying Accounting Policies

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

Distinction Between Property and Equipment and Investment Properties

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

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

The Group classified some of its land and building as investment properties. The carrying amounts of investment properties amounted to ₱12,385,385,143 and ₱11,672,008,123 as at September 30, 2014 and December 31, 2013, respectively while the carrying amounts of property and equipment as at September 30, 2014 and December 31, 2013 are ₱15,120,383,217 and ₱13,480,715,044, respectively.

Application of Pooling of Interest Method

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

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

Assessment of Control

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

As at September 30, 2014 and December 31, 2013, Management assessed that there were no changes in the elements of control in each subsidiary .

4.02 Key Sources of Estimation Uncertainty

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

Estimating Useful Lives of Property and Equipment and Investment Property

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

Management assessed that there were no significant changes from the previous estimate. The carrying amounts of investment property amounted to ₱12,385,385,143 and ₱11,672,008,123 at September 30, 2014 and December 31, 2013, respectively, while the carrying amounts of property and equipment as at September 30, 2014 and December 31, 2013 amounted to ₱15,120,383,217 and ₱13,480,715,044, respectively.

Impairment of Trademarks and Customer Relationships with Indefinite Lives

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

The aggregate carrying amounts of trademarks and customer relationships with indefinite useful lives amounted to P4,599,113,528 as at September 30, 2014 and December 31, 2013.

Asset Impairment

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

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

As at September 30, 2014 and December 31, 2013, the aggregate carrying amount of non-financial assets is as follows:

	September 30, 2014	December 31, 2013
Property and equipment	P 15,120,383,217	P 13,480,715,044
Investment property	12,385,385,143	11,672,008,123
Intangible asset	21,085,047,005	18,000,887,819

Estimating Realizability of Deferred Tax Assets

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

Deferred tax assets amounted to P96,588,475 and P52,941,791 as at September 30, 2014 and December 31, 2013, respectively.

Estimating Allowances for Doubtful Accounts

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

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

The allowance for impairment losses on receivables amounted to ₱10,802,875 and ₱17,240,832 as at September 30, 2014 and December 31, 2013, respectively.

Estimation of reserves

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

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

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

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

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

production activities of from changes in economic factors, including product prices, contract terms or development plans.

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

Estimating Net Realizable Value (NRV) of Merchandise Inventory

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

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

The carrying amount of inventory amounted to P12,964,158,543 and P10,354,718,168 as at September 30, 2014 and December 31, 2013, respectively.

5. SEGMENT INFORMATION

Products and Services from which Reportable Segments Derive their Revenues

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

Retail	Includes selling of purchased goods to a retail market
Real estate	Includes real estate activities such as selling and leasing of real properties
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Oil storage	Includes buying and selling of petroleum products
Mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves
Specialty retailing	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of liquefied petroleum gas (LPG), filling and distributions of LPG cylinders as well as distributions to industrial, wholesale and other customers.

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

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

Segment Revenue and Results

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

	Segment Revenues		Segment Profit	
	2014	2013	2014	2013
Retail	P 59,799,967,273	P 24,341,443,158	P 3,006,664,495	P 4,274,303,589
Real estate	1,420,575,040	617,819,285	565,346,398	418,928,216
Liquor distribution	2,710,040,923	960,250,563	361,051,270	251,308,401
Holding, oil storage and mining	36,785,615	45,012,295	18,429,330	41,758,816
Specialty Retail	3,158,984,685	P -	P 81,477,149	P -
Total	67,126,353,536	25,964,525,301	4,032,968,642	4,986,299,021

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

	2014	2013
Retail		
From external customers	P 59,799,967,273	P 24,341,443,158
From inter-segment sales	-	-
	59,799,967,273	24,341,443,158
Real estate		
From external customers	975,707,374	484,571,900
From inter-segment sales	444,867,666	133,247,385
	1,420,575,040	617,819,285
Liquor distribution		
From external customers	2,312,290,276	865,677,431
From inter-segment sales	397,750,647	94,573,132
	2,710,040,923	960,250,563
Holding, oil storage and mining		
From external customers	36,785,615	45,012,295
From inter-segment sales	-	-
	36,785,615	45,012,295
Specialty retail		
From external customers	3,158,984,685	-
From inter-segment sales	-	-
	3,158,984,685	-
Total revenue from external customers	P 67,126,353,536	P 25,964,525,301

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

No single customer contributed 10% or more to the Group's revenue for the periods ended September 30, 2014 and 2013.

Segment Assets and Liabilities

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

	September 30, 2014	December 31, 2013
Segment Assets		
Retail	P 47,436,379,285	P 45,191,640,285
Real estate	17,667,503,001	18,522,775,325
Liquor	3,941,373,061	1,829,383,526
Holding, oil storage and mining	93,936,228,469	13,538,152,381
Specialty retail	5,214,547,883	-
Total segment assets	168,196,031,699	79,081,951,516
Intercompany assets	85,776,391,510	8,483,224,714
Total assets	82,419,640,189	70,598,726,802
Segment Liabilities		
Retail	13,843,414,788	15,046,326,167
Real estate	5,484,462,647	5,639,631,575
Liquor	2,064,460,188	556,281,714
Holding, oil storage and mining	6,022,938,603	364,425,981
Specialty retail	4,777,200,623	-
Total segment liabilities	32,192,476,849	21,606,665,438
Intercompany liabilities	8,012,884,043	5,186,643,012
Total liabilities	P 24,179,592,805	P 16,420,022,426

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

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

Other Segment Information

Details about other segment information are as follows:

	Depreciation and Amortization	
	2014	2013
Retail	P 882,386,943	P 326,496,550
Real estate	131,181,520	51,263,511
Liquor	4,207,952	1,879,705
Holding, oil storage and mining	16,429,591	7,217,785
Specialty Retail	1,826,879	P -
	P 1,036,032,884	P 386,857,551

Geographical Information

The group operates only in its domicile country or in a single geographical area. Revenue from external costumers amounted to P66,283,735,224 and P25,736,704,785 for the period ended September 30, 2014 and 2013, respectively.

6. CASH AND CASH EQUIVALENTS

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

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

	September 30, 2014	December 31, 2013
Cash on hand	P 397,496,851	P 720,101,890
Cash in banks	1,953,089,368	2,349,103,633
Cash equivalents	9,203,370,385	11,674,944,464
	P 11,553,956,604	P 14,744,149,987

Cash in banks earn interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value. Finance income amounted to P149,406,892 and P62,014,526 for the periods ended September 30, 2014 and 2013 respectively, as disclosed in Note 25.

7. RECEIVABLES – net

The Group's trade and other receivables consist of:

	September 30, 2014	December 31, 2013
Trade receivables	P 2,871,036,537	P 1,843,552,590
Non-trade receivables	763,408,708	670,319,503
	4,153,259,432	2,513,872,093
Allowance for doubtful accounts	(10,802,875)	17,240,832
	P 3,623,642,370	P 2,496,631,261

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.

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

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

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

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	September 30, 2014	December 31, 2013
Investment in shares of stock	P 35,816,278	P 32,670,051
Investment in debt securities	5,089,568	7,655,805
	P 40,905,846	P 40,325,856

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

9. INVENTORIES

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

The Groups merchandise inventory as at September 30, 2014 and December 31, 2013 amounted to ₱12,964,158,543 and ₱10,354,718,168, respectively.

Inventories amounting to ₱54,054,958,100 and ₱20,682,227,029 were recognized as expense for the nine months period ended September 30, 2014 and 2013, respectively, as disclosed in Note 22.

10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	September 30, 2014	December 31, 2013
Input value added tax (VAT)	₱ 1,445,250,035	₱ 1,269,561,495
Creditable withholding tax	112,046,750	10,476,421
Prepayments and others	1,020,101,339	422,944,393
	₱ 2,577,398,124	₱ 1,702,982,309

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

11. PROPERTY AND EQUIPMENT

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

	Building	Computer Software	Furniture and fixtures	Office and store equipment	Leasehold improvement	Land	Construction in- progress	Machinery and transportation equipment	Wells, platforms and other facilities	Storage tanks	Total
COST											
Balance as at December 31, 2012	-	-	-	1,973,000	206,115	-	-	3,939,859	204,955,281	-	211,074,255
Additions/Effect of business combination	3,555,187,009	16,000	1,025,124,349	2,115,025,829	3,038,783,693	378,478,578	1,368,750,021	309,067,086	63,734,640	1,113,341,886	12,967,509,090
Transfer in	(2,313)	-	9,545,134	28,783,723	18,443,731	-	-	-	-	-	56,770,275
Reclassifications	446,413,051	-	112,948	(546,902)	991,484,454	-	1,437,463,550)	(223,441)	-	-	(223,441)
Additions	321,524,224	-	240,536,452	805,899,854	378,402,736	8,127,241	441,028,813	1,396,366	-	-	2,196,915,685
Adjustments	1,463	-	16,428,194	(17,555,499)	24,720	-	-	-	-	-	(1,101,121)
Disposals	-	-	(17,545)	(2,289,593)	-	-	-	-	-	-	(2,307,138)
Balance as at December 31, 2013	4,323,123,434	16,000	1,291,729,531	2,931,290,412	4,427,345,449	386,605,819	372,315,283	314,179,870	268,689,921	1,113,341,886	15,428,637,605
Additions	33,780,996	-	258,250,253	287,788,621	239,367,555	-	630,881,941	9,518,900	645,574	16,623,327	1,476,857,167
Reclassifications	194,012,536	-	(1,619,274)	(2,017,341)	162,301,644	-	(352,677,565)	-	-	-	-
Disposals	(2,321,429)	-	(382,975)	(7,035,874)	(47,278,384)	-	-	(3,942,857)	-	(7,519,189)	(68,480,708)
Balance as at June 30, 2014	4,548,595,537	16,000	1,547,977,534	3,210,025,818	4,781,736,283	388,605,819	650,519,659	319,755,913	269,335,495	1,122,446,024	16,837,014,064
ACCUMULATED DEPRECIATION											
Balance as at December 31, 2012	-	-	-	-	-	-	-	-	-	-	-
Transfer in	9,404,690	7,467	-	1,933,315	738,909	-	-	3,638,901	44,917,503	-	51,236,095
Adjustment	2,311	-	1,856,062	6,372,105	41,785,066	-	-	3,590,140	-	-	63,008,063
Adjustment and amortization	78,082,428	-	4,183,280	(4,404,336)	(58,222)	-	-	-	-	-	(276,967)
Reclassification	-	-	97,614,898	330,937,920	115,126,656	-	-	19,456,052	-	12,410,458	653,628,413
Disposals/Retirements	-	-	(27,527)	11,497	-	-	-	-	-	-	(16,030)
Balance as at December 31, 2013	489,429	7,467	103,622,971	332,888,337	157,592,408	-	-	26,685,093	44,917,503	12,410,458	765,613,666
Balance forwarded	-	-	-	(3,743)	-	-	-	-	-	-	(1,965,908)

Balance as at December 31, 2013	489,429	7,467	103,622,971	332,888,337	157,592,408	-	-	26,685,093	44,917,503	12,410,458	765,613,666
Depreciation and amortization	122,599,938	711	115,419,700	481,157,086	183,166,704	-	-	23,526,317	1,391,260	22,666,482	949,928,198
Disposals/Retirements	(49,895)	-	(313,077)	(7,152,826)	(47,278,326)	-	-	50,535,232	-	-	(4,258,892)
Balance as at June 30, 2014	210,047,650	8,178	218,729,594	806,892,597	293,480,786	-	-	100,908,553	46,308,763	35,076,940	1,711,444,883
Net book value as at:											
December 31, 2013	4,235,634,005	8,533	1,188,106,560	2,598,402,075	4,269,753,041	386,605,819	372,315,283	287,494,776	223,772,418	1,100,931,428	14,663,023,939
September 30, 2014	4,338,547,887	7,822	1,329,247,941	2,403,133,221	4,488,255,477	386,605,819	650,519,659	218,847,360	223,026,732	1,087,369,084	15,125,569,180

12. INVESTMENT PROPERTIES

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

	Building	Land	Construction- in-progress	Total
COST				
Balance as at December 31, 2012	-	-	-	-
Additions/Effect of business combination	4,704,268,005	6,742,811,023	54,471,693	11,501,550,721
Reclassifications	938,253	(18,427,500)	(6,470,985)	(23,960,233)
Additions	39,753,238	-	212,807,322	252,560,560
Balance as at December 31, 2013	4,744,959,496	6,724,383,523	260,808,029	11,730,151,049
Additions	332,234,647	239,917,124	63,649,803	635,801,574
Balance as at September 30, 2014	5,077,194,143	6,964,300,646	324,457,833	12,365,952,622
ACCUMULATED DEPRECIATION				
Balance as at December 31, 2012	-	-	-	-
Depreciation and amortization	58,166,358	-	-	58,166,358
Reclassification	-	(23,432)	-	(23,432)
Balance as at December 31, 2013	58,166,358	(23,432)	-	58,142,926
Depreciation and amortization	59,453,655	-	-	59,453,655
Balance as at September 30, 2014	117,620,012	(23,432)	-	117,596,581
Net book value as at:				
December 31, 2013	4,686,793,139	6,724,406,955	260,808,029	11,672,008,123
September 30, 2014	4,959,574,131	6,964,324,078	324,457,833	12,248,356,042

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

Property rental income earned by the Group from its investment properties, all is leased out under operating leases, amounted to P263,300,614 and P617,819,285 for the periods ended September 30, 2014 and 2013, respectively.

13. INTANGIBLE ASSETS – net

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

	September 30, 2014	December 31, 2013
Goodwill	P 16,259,818,437	P 13,191,340,917
Trademark	3,709,660,547	3,709,660,547
Customer relationship	889,452,981	889,452,981
Leasehold rights	71,836,421	136,713,077
Computer software – net	154,278,619	73,720,297
	P 21,085,047,005	P 18,000,887,819

14. INVESTMENTS AND ACQUISITIONS OF SUBSIDIARIES

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

Investments

	<i>Note</i>	September 30, 2014	December 31, 2013
AFS financial assets	<i>a</i>	383,913,377	379,775,237
Investment in a joint venture	<i>b</i>	525,902,301	60,000,000
		909,815,678	439,775,237

a. AFS Financial Assets

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

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

- AFS financial assets also include PLDT and Meralco preferred shares amounted to P7,879,160 acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Parent Company.

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

b. Investment in a Joint Venture

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

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

The redeemable preferred shares shall have the following features:

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

On June 12, 2014, the Retail segment entered into a joint venture agreement with Lawson Asia Pacific Holdings PTE. LTD. and Lawson, Inc. (Lawson), both engaged in operation of convenience stores in Japan and other Asian countries, to establish a Joint Venture Company that will operate a convenience store in the Philippines.

The Retail segment subscribed to a total of 3,500,000 common shares at P100.00 par value for a total investment of P350.00 million while Lawson subscribed to a total of 1,500,000 common shares at P100.00 par value for a total investment of P150.00 million .

Acquisitions of Subsidiaries

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

Entenso Equities, Incorporated

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

Company E Corporation

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

Kareila Management Corporation

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

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

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

December 31, 2013

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

Gant Group of Companies Incorporated (Gant)

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

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

Puregold Junior Supermarket, Inc. (PJSI)

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

PPCI Subic Inc

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

Liquigaz Philippine Corporation

On July 21, 2014, Canaria Holdings Corporation, a Philippine registered corporation which is owned 90% by Cosco Capital, Inc. entered into a Deed of Assignment with PR Gaz, Inc. for the acquisition of 100% equity of Liquigaz Philippines involving a total consideration of about P3.456 Billion.

15. DEFERRRED OIL AND MINERAL EXPLORATIONS

	Participating Interest	2014	2,013
Oil exploration costs:			
SC 14 21			
Block C2 (West Linapacan)	1.53%	53,595,432	53,595,432
Block B1 (North Matinloc)	13.55%	746	746
Block D	5.84%	8,011,133	8,011,133
		61,607,311	61,607,311
SC 6A			
Octon Block	0.50%	16,560,191	16,560,191
North Block	1.57%	600,419	600,419
		17,160,610	17,160,610
SC 6B (Bonita)	2.11%	6,304,904	6,304,904
SC 51	9.32%	32,815,514	32,815,514
Other oil projects		527,310	527,310
		39,647,728	39,647,728
		118,415,649	118,415,649

Mineral exploration costs:			
Anoling gold project	3%	13,817,326	13,817,326
Gold Projects	100%	12,891,933	12,891,933
Nickel project	100%	19,207,978	19,207,978
Cement project	100%	9,586,212	9,586,212
Other mineral projects		382,338	382,338
		55,885,787	55,885,787
Accumulated impairment losses for unrecoverable deferred mineral exploration costs;			
Balance at beginning of year		(56,092,352)	(23,443,955)
Impairment losses for year			(32,648,397)
Balance at end of year		(56,092,352)	(56,092,352)
		(206,565)	(206,565)
Other deferred charges		620,099	620,099
		118,829,183	118,829,183

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

16. OTHER NON-CURRENT ASSETS

This account consists of:

	September 30, 2014	December 31, 2013
Security deposits	P 1,195,443,886	P 884,090,991
Prepaid rent	243,827,837	311,567,064
Others	470,481,607	322,673,330
	P 1,909,753,330	P 1,518,331,385

17. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of:

	September 30, 2014	December 31, 2013
Trade	P 4,083,456,525	P 7,743,335,583
Nontrade	1,682,863,050	2,462,102,452
Accrued expenses	1,546,308,918	893,924,511
Dividends payable	-	406,661,768
Construction bonds	-	4,267,853
Others	106,612,325	100,323,350
	P 7,419,240,819	P 11,610,615,517

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

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

18. LOANS PAYABLE

This account is consist of:

a. Short-term Loans Payable

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

	September 2014	December 2013
Short-term note based on 2.5%	75,000,000	75,000,000
Short-term note based on 2.75%	300,000,000	300,000,000
Short-term note based on 2.75%	250,000,000	-
Short-term note based on 3.75%	508,500,000	508,500,000
Short-term note based on 2.37%	64,000,000	313,500,000
Short-term note based on 2. 37%	198,000,000	15,000,000
Short-term note based on 2. 37%	111,441,881	-
Short-term note based on 2. 37%	380,000,000	-
Short-term note based on 4.5%	1,450,000,000	-
	3,336,941,881	1,212,000,000

b. Long-term Loans Payable

b.1 As at September 30 and December 31, the outstanding loans are as follows:

	September 30, 2014	December 31, 2013
Unsecured Peso Denominated		
Fixed rate note based on 3.5%	P 1,992,166,923	P1,991,219,294
Fixed rate note based on 3.25%	961,707,838	960,495,639
Fixed rate note based on 3.5%	500,000,000	500,000,000
	3,453,874,761	3,451,714,933
Less current portion	961,707,838	-
	P2,492,166,923	P3,451,714,933

b.2 Corporate Notes

On May 16, 2014, the Group entered into a Five Billion (5,000,000,000) Corporate Notes Facility Agreement with syndicate of institutional lenders composed of banks and insurance companies. The facility consists of P4 billion 7-year term and P1 billion 10-year term with interest rate of 5.27% and 5.58%, respectively. The proceeds will be used for strategic acquisition and for general corporate purposes.

19. OTHER NON-CURRENT LIABILITIES

This account consists of:

	September 30, 2014		December 31 2013	
Accrued rent	P	1,947,384,921	P	1,596,820,732
Deposits and others		345,305,509		23,055,381
	P	2,292,690,431	P	1,619,876,113

20. ISSUED CAPITAL

The issued capital of the Group is as follows:

	September 30, 2014		December 31 2013	
Capital stock	P	7,405,263,564	P	7,405,263,564
Additional paid-in capital		9,634,644,229		9,634,644,229
	P	17,039,907,793	P	17,039,907,793

Capital Stock

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

	2014		2013	
	Shares	Amount	Shares	Amount
Authorized	10,000,000,000	P 10,000,000,000	10,000,000,000	P 10,000,000,000
Issued and fully paid				
Balance, January 1	7,405,263,564	P 7,405,263,564	1,275,000,000	P 1,275,000,000
Issuances	-	-	6,130,263,564	6,130,263,564
Treasury shares	(244,757,527)	(244,757,527)	(244,757,527)	(244,757,527)
	7,405,263,564	P 7,160,506,037	7,160,506,037	P 7,160,506,037

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

- Approval, ratification and confirmation of the subscription of Lucio L. Co Group to the unissued authorized capital stock of the Parent Company from the increase of its authorized capital stock at a subscription price of P15 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74,813,405,682 worth of shares in Puregold Price Club, Inc. and Subsidiaries, Ellimac Prime Holdings, Inc. and Subsidiaries, Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc. and Subsidiary, Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Acquirees"), and the corresponding payment thereof by way of assignment of the shares owned by Lucio L. Co Group in the Acquirees, under the terms and conditions to be determined by the Corporation's BOD.

- That the Chairman and the President are authorized to represent the Group to implement and approve any matter related to the Transaction and directed to execute any and all agreements and documents relating to the Transaction, to negotiate, adjust, revise or change relevant conditions, implementation priority and all other relevant matters of the Transaction and sign and file documents which may be required by the SEC, PSE, and other government agencies and to do all actions necessary to comply with the provisions of the Corporation

Code, Securities Regulation Code, and all other rules and regulations relating to the subject matter of this resolution.

- That the Group is authorized to register, if necessary, additional shares with the SEC and to list additional shares with the PSE.

On April 22, 2013, upon approval by the SEC on the increase in the Company's authorized capital stock, SEC confirmed the value of the shares transferred or consideration paid amounting to P74,811,096,315. Out of the increase in the authorized capital stock, 4,987,406,421 have been subscribed.

On December 11, 2012, in a special meeting, the stockholders resolved to approve the amendment of the Company's articles of incorporation to increase its authorized capital stock and par value from 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 Company to Cosco Capital, Inc. The SEC approved the increase in authorized capital stock and the change in the Company's name on April 22, 2013.

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

Dividend Declaration

On June 27, 2014, the Parent Company declared cash dividend which is equivalent to 6 centavos per share to stockholders as of the record date July 11, 2014. The cash dividend was paid on July 28, 2014.

21. REVENUES

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

	September 30, 2014	December 31, 2013
Sale of goods	P 65,272,034,350	P 25,075,859,499
Rendering of services	1,011,700,874	660,845,286
	P 66,283,735,224	P 25,736,704,785

22. COST OF SALES

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

	September 30, 2014	December 31, 2013
Cost of sales	P 54,054,958,100	P 20,683,181,974
Cost of services	486,948,590	200,471,174
	P 54,541,906,690	P 20,883,653,148

Cost of Sales

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

	September 30, 2014	December 31, 2013
Inventory, January 1	P 10,119,093,746	P -
Net purchases	52,823,032,291	30,348,779,514
Cost of goods available for sale	44,695,577,155	30,348,779,514
Inventory, September 30 (Note 9)	12,034,621,537	9,666,552,485
	P 54,054,958,100	P 20,682,227,029

Cost of services

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

	September 30, 2014	December 31, 2013
Utilities	P 276,526,231	P 120,333,933
Taxes and licenses	39,813,519	29,801,499
Security services	38,697,556	20,117,448
Janitorial services	27,955,192	12,043,373
Management fees	22,179,212	13,082,431
Rentals	12,472,531	4,849,967
Repairs and maintenance	6,688,245	-
Others	62,616,104	242,523
	P 486,948,590	P 33,771,517

23. OTHER OPERATING INCOME

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

	September 30, 2014		December 31, 2013
Concession income	P 946,908,444	P	102,545,630
Display allowance	377,958,127		70,881,232
Rent income	263,300,614		-
Membership fee	176,247,401		14,212,834
Listing fee	23,940,599		-
Miscellaneous	299,152,567		12,310,449
	P 2,087,507,752	P	199,950,145

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

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

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

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

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

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

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

24. OPERATING EXPENSES

	September 30, 2014	December 31, 2013
Utilities	P 1,197,528,497	P 477,564,045
Manpower-Agency served	1,187,595,445	503,606,275
Rent expense	1,164,179,392	498,423,516
Salaries, wages and allowances	933,768,536	355,329,851
Outside services	732,109,308	292,890,217
Concess fee	333,693,551	152,596,751
Taxes, permits and licenses	327,064,010	119,759,686
Supplies	271,070,316	105,260,664
Repairs and maintenance	187,528,636	79,134,687
Advertising and promotion	120,642,529	55,126,998
Insurance	98,172,312	39,317,936
Selling expenses	83,317,520	34,423,484
Representation and entertainment	63,097,456	20,256,238
SSS, Medicare and HDMF	62,487,768	24,066,563
Disallowed input VAT	49,277,082	23,110,759
Fuel and oil	44,550,653	14,195,831
Transportation and travel	44,159,000	15,694,253
Professional fee	35,645,620	12,571,460
Royalty expense	23,639,735	9,676,161
Retirement benefit cost	-	23,933,661
Miscellaneous expenses	181,571,813	15,258,837
	P 7,141,099,179	P 2,872,197,873

25. OTHER INCOME - net

An analysis of other income is as follows:

	September 30, 2014	December 31, 2013
Finance income (Note 6)	P 149,406,892	P 62,014,526
Finance cost	(190,864,204)	(22,432,384)
Others	70,368,558	31,626,359
	P 28,911,245	P 71,208,500

26. RETIREMENT BENEFIT COST

The Group has an unfunded, non-contributory, 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.

It is assumed that the Group initially applied PAS 19 (Amended 2011) on January 1, 2012. 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.

	September 30, 2014	December 31, 2013
Balance at beginning of period	P 293,041,032	P (2,144,266)
Adjustment	(22,451,934)	
	270,589,098	
Included in profit or loss		
Current service cost	-	17,400,508
Interest cost	-	5,634,984
Net actuarial loss recognized during the year	-	898,169
	-	23,933,661
Included in other comprehensive income		
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	-	(75,942,734)
Experience adjustment	-	24,909,744
	-	(51,032,990)
Effect of business combination/acquisition	29,178,682	276,333,841
Balance at end of period	P 299,767,780	P 293,041,032

Movements in the present value of defined benefits obligation for the period and year ended September 30 and December 31 are as follow:

	September 30, 2014	December 31, 2013
Beginning of the year	P 293,041,032	P 3,694,304
Adjustment	2,548,066	
Effect of business combination/acquisition	29,178,682	276,333,841
Interest cost	-	14,635,590
Curtailment	-	2,555,142
Current service cost	-	55,248,857
Settlement	-	(8,393,712)
Actuarial (gains)/losses	-	(51,032,990)
Balance at end of year	P 299,767,780	P 293,041,032

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

	2014	2013
Discount rate	5.32%	5.62%
Future salary increases	8.00%	10.00%

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.

27. EARNINGS PER SHARE

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

Basic Earnings per Share

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

	2014	2013
Income attributable to the equity holders of the Parent Company (a)	2,552,593,620	1,081,777,048
Adjusted weighted average number of shares outstanding (b)	7,160,506,037	3,891,032,149
Basic and diluted earnings per share (a/b)	0.356	0.278

28. FAIR VALUE MEASUREMENTS

Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities as at September 30, 2014 and December 31, 2013 are presented below:

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash in banks and cash equivalents	P 11,553,956,604	P 11,553,956,604	P 14,024,048,097	P 14,024,048,097
Receivables	3,623,642,370	3,623,642,370	2,496,631,261	2,496,631,261
Short-term investments	-	-	500,000,000	500,000,000
Security deposits	1,195,443,886	1,195,443,886	884,090,991	884,090,991
Advances to related parties	33,682,249	33,682,249	-	-
Available-for-sale financial assets	40,905,846	40,905,846	40,325,856	40,325,856
	16,447,630,955	16,447,630,955	17,945,096,205	17,945,096,205
Financial Liabilities				
Accounts payable, accrued expenses and other liabilities*	6,112,879,126	6,112,879,126	11,257,028,053	11,257,028,053
Trust receipts payable	-	-	16,543,219	16,543,219
Advances from related parties	95,516,633	95,516,633	-	-
Loans payable	11,797,405,455	11,797,405,455	4,663,714,933	4,663,714,933
	P 18,005,801,214	P 18,005,801,214	P 15,937,286,205	P 15,937,286,205

*Does not include statutory payables

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

- The fair values of available-for-sale financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to

quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- Due to short-term nature or demand feature of cash in banks and equivalents, receivables, deposit for future stock subscription, and accounts payable, accrued expenses and other liabilities, Management believes that carrying amount approximates fair value.
- Loans payable pertains to interest bearing loan arrangement, thus, carrying amount approximates fair value.

Fair Value Measurements Recognized in the Statement of Financial Position

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

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

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

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

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

Market Risk Management

Foreign Currency Risk Management

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

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

Credit Risk Management

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

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

	September 30, 2014	December 31, 2013
Cash in banks and cash equivalents	P 11,156,459,753	P 14,024,048,097
Receivables	3,623,642,370	2,818,808,266
Short-term investments	-	500,000,000
Security deposits	1,195,443,886	884,090,991
Advances to related parties	33,682,249	
Available-for-sale financial assets	40,905,846	40,325,856
	P 16,050,134,104	P 18,267,273,210

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

2014	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	P11,553,956,604	P -	P -	P -	P -	P11,553,956,604
Receivables	2,407,360,400	626,054,489	152,282,267	135,833,696	302,111,518	3,623,642,370
AFS financial assets	40,905,846					40,905,846
Advances to related parties	33,682,249					33,682,249
Security deposits	1,195,443,886					1,195,443,886
	P15,231,348,985	626,054,489	152,282,267	135,833,696	302,111,518	P 16,050,134,103
2013	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	14,024,048,097	P -	P -	P -	P -	14,024,048,097
Receivables	1,246,043,391	331,537,784	483,954,238	417,855,016	17,240,832	2,496,631,261
Short-term investment	500,000,000					500,000,000
AFS financial assets	41,002,675					41,002,675
Security deposits	884,090,991					884,090,991
	16,712,425,986	331,537,784	483,954,238	417,855,016	17,240,832	17,945,773,024

Cash in banks and cash equivalents

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

Receivables

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

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

Liquidity Risk Management

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

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

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

	Within 1 Year	More than 1 Year	Total
September 30, 2014			
Accounts payable, accrued expenses and other liabilities*	P 6,112,879,126	P -	P 8,370,814,260
Advances from related parties	95,516,633	-	95,516,633
Loans payable	4,299,255,719	7,498,149,736	11,411,874,761
	10,507,651,478	7,498,149,736	19,878,205,654
December 31, 2013			
Accounts payable, accrued expenses and other liabilities	P 11,257,028,053	P -	P 11,257,028,053
Trust receipts payable	16,543,219		16,543,219
Loans payable	1,212,000,000	3,451,714,933	6,171,463,908
	12,485,571,272	3,451,714,933	17,445,035,180

*Does not include statutory payables

The table hereunder details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual

maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Within 1 Year		1 – 5 Years		Total
September 30, 2014					
Cash in banks and cash equivalents	P 11,156,459,753	P	-	P	11,156,459,753
Receivables	3,623,642,370		-		3,623,642,370
Short-term investments	-		-		-
Security deposits	1,195,443,886		-		1,195,443,886
Advances to related parties	33,682,249		-		33,682,249
Available-for-sale financial assets	40,905,846		-		40,905,846
	16,050,134,104		-		16,050,134,104
December 31, 2013					
Cash in banks and cash equivalents	P 14,024,048,097	P	-	P	14,024,048,097
Receivables	2,496,631,261		-		2,496,631,261
Short-term investments	500,000,000		-		500,000,000
Security deposits	884,090,991		-		884,090,991
Available-for-sale financial assets	40,325,856		-		40,325,856
	P 17,945,096,205	P	-	P	17,945,096,205

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

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

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

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

	September 30, 2014	December 31 2013
Debt	P 10,835,091,517	P 4,663,714,933
Cash and cash equivalents	11,553,956,604	14,744,149,987
Net Debt	(4,994,243,772)	(10,080,435,054)
Equity	57,140,243,195	54,830,820,985
Net debt to equity ratio	(0.09):1	(0.18):1

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

31. PFRS 9 RESULT OF IMPACT EVALUATION

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

The carrying amount of all financial assets that the company has as at June 30, 2014 and December 31, 2013 are as follows:

Financial Assets	Balance as at December 31, 2013 (PhP)	Balance as at September 30, 2014 (PhP)	Qualitative Description	Quantitative Impact
Cash and cash equivalents	14,744,149,987	11,553,956,604	Cash equivalents refer to short term placements in time deposits and SDA in various banks.	Market values Carrying amount approximates fair value primarily due to the relative short-term maturities of these assets.
Receivables-net	2,818,808,266	3,623,642,370	Receivables are from goods sold to customers.	Liquidity risk Liquidity ratio is 196:1 Aging of receivables: Based on ageing of receivables amounting to P20.6M is impaired. This has already been covered by setting-up allowance.
AFS financial assets	40,325,856	40,905,846	These refer to debt, equity securities and RTB's with interest ranging from 4.8% to 7.5%. All these securities are tradeable.	Liquidity risk Liquidity ratio is 196:1
Total	17,603,284,109	15,218,504,820		

SECTION B

COSCO CAPITAL , INC.
UNAUDITED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

Contents

Pro-forma Statements of Income
For the Period Ended September 30, 2014 and 2013

Segment Information

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

For the Period Ended September 30, 2014 and 2013

(In Philippine Peso)

	2014	2013
REVENUES	66,283,735,224	54,507,915,227
COST OF SALES/SERVICES <i>(excluding depreciation and amortization)</i>	54,541,906,690	44,307,747,158
GROSS PROFIT <i>(before depreciation and amortization)</i>	11,741,828,533	10,200,168,070
OTHER OPERATING INCOME	2,087,507,752	1,535,724,747
GROSS OPERATING INCOME	13,829,336,285	11,735,892,817
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	7,141,099,179	6,158,183,052
INCOME FROM OPERATIONS	6,688,237,106	5,577,709,764
OTHER INCOME (CHARGES) - net	28,911,245	147,030,475
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX	6,717,148,351	5,724,740,239
DEPRECIATION AND AMORTIZATION EXPENSE	1,037,392,213	823,412,159
INCOME BEFORE INCOME TAX	5,679,756,138	4,901,328,081
INCOME TAX EXPENSE	1,646,787,497	1,381,357,945
NET INCOME FOR THE PERIOD	4,032,968,642	3,519,970,136
Net Income Attributable to:		
Equity holders of the Parent Company	2,552,593,620	2,225,664,196
Non-controlling interests	1,480,375,021	1,294,305,940
	4,032,968,642	3,519,970,136

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

	Retail	Real Estate	Liquor Distribution	Parent, Mining and oil	Specialty Retail	Elimination	Consolidated
<i>(In thousands)</i>							
For the Period Ended September 30, 2014							
Revenue	59,799,967	1,420,575	2,710,041	36,786	3,158,985	-842,618	66,283,735
Income from operations	5,178,175	907,417	476,875	-7,279	133,050		6,688,237
Depreciation and amortization and	882,387	131,182	4,208	16,430	3,186		1,037,392
Finance cost	34,601	32,696	9,679	102,845	14,033	-2,989	190,864
Finance income	12,658	6,078	213	133,367	79	-2,989	149,407
Net income for the period	3,006,664	565,346	361,051	18,429	81,477		4,032,969
As at September 30, 2014							
Total current assets	14,437,101	4,477,750	3,928,008	15,462,847	2,479,238	-9,991,200	30,793,744
Total non-current assets	32,999,278	13,189,753	13,365	78,473,382	2,735,310	-75,785,191	51,625,896
Total current liabilities	8,417,858	5,075,234	2,054,368	730,712	4,893,644	-7,734,017	13,437,799
Total non-current liabilities	5,425,557	409,229	10,092	5,292,227	33,570	-278,867	10,891,808
For the Period Ended September 30, 2013							
Revenue	51,494,330	1,332,164	2,071,114	128,487	13,900,107	-518,180	68,408,022
Income from operations	1,511,444	284,294	121,174	11,833	300,831		2,229,576
Depreciation and amortization expense	692,110	111,058	4,112	16,132	99,314		922,726
Finance cost	16,326	65,182	6,560	54,753	54,753		142,820
Finance income	148,196	65		53,661	792		202,714
Net income for the period	2,641,441	475,790	274,306	128,434	138,969		3,658,939
As at September 30, 2013							
Total current assets	14,121,855	2,592,904	1,813,019	12,293,883	2,192,057	-4,570,390	28,443,328
Total non-current assets	31,069,785	15,929,872	16,365	76,055,366	1,320,253	-79,023,931	45,367,709
Total current liabilities	9,024,914	5,443,941	571,223	356,180	1,188,104	-5,186,643	11,397,720
Total non-current liabilities	6,021,412	195,690	6,392	8,246	1,216,165		7,447,906

SECTION C

COSCO CAPITAL, INC. AND SUBSIDIARIES

KEY PERFORMANCE INDICATORS

September 30, 2014, 2013 and 2012

Performance Indicators	2014	2013	2012
Return on investment	7.12%	8.88%	1.17%
Profit margin	6.08%	6.55%	304.22%
EBITDA to interest expense	35.19x	44.89:1	n/a
Current ratio	2.35:1	2.6:1	340.72:1
Asset turnover	0.84x	1.05x	0.004x
Asset to equity	1.41:1	1.37:1	1:1
Debt to equity ratio	0.20:1	0.08:1	Debt free