cosco capital
incorporated

May 12, 2017

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

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

The Philippine Stock Exchange, Inc.
3rd Floor, Ayala Triangle One,
Ayala Avenue, Makati City

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

Subject: **SEC 17-Q – 1st Quarter**

GENTLEMEN:

For submission is the attached SEC 17-Q / First Quarter Consolidated Financial Statements of Cosco Capital, Inc. for CY 2017.

Thank you.

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)

CANDY H. DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

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Month	**Day**	(Form Type)	**Month**	**Day**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2017 1st Quarter Report

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

1. For the quarterly period ended: March 31, 2017

2. Commission identification number: 147669

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

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

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

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

   Republic of the Philippines

6. Industry Classification Code: ☐ (SEC Use Only)

7. Address of registrant's principal office:

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

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

   (632) 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 7,405,263,564 common shares of stock of the company are listed in Philippine Stock Exchange (PSE).

12. Indicate by check mark whether the registrant:

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

Yes[/] No [ ]

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

Yes [/] No [ ]

I. FINANCIAL INFORMATION

Item 1. Financial Statements

1. Please see attached **SECTION A**.

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

The following discussion and analysis should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Quarterly Report. The interim financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards particularly PAS 34, Interim Financial Statements.

II. KEY PERFORMANCE INDICATORS

- The following financial ratios are considered by management as key performance indicators of the Group's financial performance operating results as well as its financial condition:
- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment.
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales.
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to cover interest payments on its outstanding debts.
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group.
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues.
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates the Group's leverage used to finance the firm.
- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of a Group's financial leverage.

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

Performance Indicators	2017	2016	2015
ROI	2.46%	2.50%	2.47%
Profit margin	5.54%	5.75%	5.83%
EBITDA to interest expense	75.70x	36.41x	22.44 x
Current ratio	2.38:1	2.48:1	2.58:1
Asset turnover	0.32x	0.30x	0.29 x
Asset to equity	1.37:1	1.42:1	1.42 :1
Debt to equity ratio	0.37:1	0.42:1	0.42 :1

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

III. RESULTS OF OPERATION

The table below shows the consolidated results of operations of the Group for the periods ended March 31, 2017 and 2016.

(In Millions)	**2017**	%	2016	%	***INCREASE (DECREASE)***	%
REVENUES	**32,325**	*100.00%*	28,793	*100.00%*	***3,532***	*12.27%*
COST OF SALES/SERVICES	**26,894**	*83.20%*	23,906	*83.03%*	***2,988***	*12.50%*
GROSS PROFIT	**5,431**	*16.80%*	4,887	*16.97%*	***543***	*11.12%*
OTHER OPERATING INCOME	**786**	*2.43%*	739	*2.57%*	***47***	*6.37%*
GROSS OPERATING INCOME	**6,216**	*19.23%*	5,626	*19.54%*	***591***	*10.50%*
OPERATING EXPENSES	**3,718**	*11.50%*	3,263	*11.33%*	***455***	*13.95%*
INCOME FROM OPERATIONS	**2,498**	*7.73%*	2,363	*8.21%*	***135***	*5.73%*
OTHER INCOME (CHARGES) - net	**-11**	*-0.03%*	-31	*-0.11%*	***20***	*-63.37%*
INCOME BEFORE INCOME TAX	**2,487**	*7.69%*	2,332	*8.10%*	***155***	*6.64%*
INCOME TAX EXPENSE	**698**	*2.16%*	676	*2.35%*	***22***	*3.24%*
NET INCOME FOR THE QUARTER	**1,789**	*5.54%*	1,656	*5.75%*	***133***	*8.03%*
Net Income Attributable to:						
Equity holders of the Parent Company	**1,154**	*3.57%*	1,078	*3.74%*	***76***	*7.06%*
Non-controlling interests	**635**	*1.96%*	578	*2.01%*	***57***	*9.86%*
	1,789	*5.54%*	1,656	*5.75%*	***133***	*8.03%*
Basic earnings per share	**P0.161851**		P0.150996			*7.10%*

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P32.32 Billion during the three-months period ended March 31, 2017 which reflects an increase of P3.53 Billion or representing a growth of 12.27% compared to last year's revenue for the same period of P28.79 Billion.

The growth in consolidated revenues has been largely driven by a combination of the Group's sustained organic growth from its grocery retail segment's aggressive stores expansion program, acquisitions of additional commercial real estate assets by its real estate segment augmented by improved capacity utilization of the oil storage business unit, sustained growth in revenue contributions from the liquor and wine distribution business segment inspite of the reduced revenue contribution from one of its major brandy brands recently acquired by a competitor, and growth in revenue of special ty retail segment.

Growth in Net Income

During the same period, the Group realized a consolidated net income of P1.79 Billion which is higher by P133 Million representing a growth of 8.03% as compared to last year's net income of P1.65 Billion. Net income attributable to equity holders of the parent company (PATMI) amounted to about P1.15 Billion in 2017 which increased by about P76 Million or 7.06% as compared to the 2016 PATMI amounting to P1.09 Billion.

Grocery Retail Segment

During the first three-months of 2017, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P27.53 Billion or an increase of P2.77 Billion or about 11.20% growth as compared to the segment's revenue contribution of P24.76 Billion for the same period of last year brought about by its continued aggressive stores expansion program and management's combined efforts to boost revenue.

Consolidated net income contribution in 2017 amounted to P1.27 Billion which increased by P121 Million or 10.49% as compared to the net income contribution of P1.15 Billion in the same period in 2016.

Real Estate Segment

The commercial real estate business segment contributed P419.5 Million to the Group's consolidated revenue in 2017 representing a growth of about P30.2 Million or 7.75% of the segment's revenue contribution during the same period last year amounting to P389.4 Million. This was mainly attributable to the higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Consolidated net income contribution in 2017 amounted to about P256.2 Million which increased by about P20.90 Million or 8.90% as compared to the net income contribution of P235.3 Million in 2016.

Liquor Distribution Segment

The liquor distribution business segment contributed about P923.89 Million to the Group's consolidated revenue during the same period in 2017 representing a decrease by about P87.1 Million or 8.62% lower as compared to the 2016 revenue contribution of P1.01 Billion mainly attributable to revenue reduction from its Fundador brandy category.

Consolidated net income contribution in 2017 amounted to about P136.2 Million which increased by P3.78 Million or 2.86% as compared to the net income contribution in 2016 amounting to P132.5 Million.

Specialty Retail Segment

Office Warehouse, Inc. contributed about P439.2 Million to the Group's consolidated revenue during the first quarter in 2017 representing an increase by about P66.2 Million or 17.75% higher as compared to the 2016 revenue contribution of P373.0 Million mainly attributable to its continuing stores network expansion program, enhanced product offerings and aggressive sales and marketing campaign. Consolidated net income contribution in 2017 amounted to about P15.8 Million which increased by P0.75 Million or 5.01% as compared to the net income contribution in 2016 amounting to P15.0 Million.

On the other hand, Liquigaz Philippines Corporation contributed about P3.0 Billion to the Group's consolidated revenue during the same period in 2017 representing an increase by about P749.8 Million or 33.2% higher as compared to the 2016 revenue contribution of P2.26 Billion mainly attributable to the improvements in global petroleum and gas prices during the first quarter of 2017. Net income contribution during the three-month period in 2017 amounted to P100.9 Million, decrease by P23.3 Million or 18.76% as compared to the net income contribution in 2016 amounting to P124.2 Million.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales
For the period ended March 31, 2017, the Grocery Retail segment posted a consolidated net sales of P27,534 million for an increase of P2,773 million or a growth of 11.2% compared to P24,761 million in the same period of 2016. New stores put up in 2016 were fully operating in 2017 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores.

Like for like sales performance indicators for the period ended March 31 are as follow:

	PGOLD		S&R	
	2017	2016	**2017**	2016
Net Sales	**4.5%**	7.3%	**13.0%**	4.8%
Net Ticket	**2.7%**	6.3%	**6.5%**	1.4%
Traffic	**1.7%**	0.9%	**6.1%**	3.4%

Gross Profit
For the period ended March 31, 2017, the Grocery Retail segment realized an increase of 12.2% in consolidated gross profit from P4,119 million in 2016 at 16.6% margin to P4,623 million at 16.8% margin in the same period of 2016, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income
Other operating income increased by P56 million or 7.8% from P713 million in the first quarter of 2016 to P769 million in the same period of 2017. This is attributable to increase in concess income, membership income and other supplier supports driven mainly by new stores and other promotional activities conducted during the year. In 2017, S&R tied up with Unioil and offered a P3.00 discount on gasoline and P2.00 off on diesel per liter, to all members using their issued membership cards with magnetic stripes. In March 29 to April 2, S&R held its 5-day Members' Treat sale.

Gross Operating Income
Gross operating income realized during the three months of 2017 amounted to P5,392 million at a gross operating margin of 19.6% which grew by 11.6% from the 2016 level of P4,832 million at 19.5% margin.

Operating Expenses
Operating expenses increased by P375 million or 11.8% from P3,166 million in the three-month period ended March 31, 2016 to P3,540 million in the same period of 2017. The incremental operating expenses were mainly attributable to manpower costs, as well as rent expenses covering new lease contracts, depreciation expense and taxes, all related to the establishment and operation of new organic and acquired stores.

Other Expense - net
Other expenses net of other income amounted to P36 million and P24 million for the three-month periods ended March 31, 2017 and 2016, respectively. Interest expense increased in March 2017 due to additional loans availed in late 2016 and for the three-month period ended March 31, 2017.

Net Income
For the period ended March 31, 2017, the Grocery Retail segment earned a consolidated net income of P1,275 million at 4.6% net margin and an increase of 10.5% from P1,154 million at 4.7% net margin in the same period of 2016.

Commercial Real Estate

The Group's Real Estate Segment posted P552.0 Million in revenues in the three-month period ended March 31, 2017 or a 4.21% decrease from P576.3 Million in the previous year. This was mainly attributable to the segment's reduction in revenue of its NE Pacific Mall unit resulting from its competitive marketing strategies.

Income from operations before depreciation decreased by P23.5 Million from P377.6 Million in 2016 to P354.1 Million for the three-month period ended March 31, 2017.

Net income for the period amounted to P256.2 Million or an 8.90% increase from last year's P235.3 Million brought about by savings in operating cost and expenses.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to P1.17 Billion in 2017 or 3.47% growth from last year's P1.13 Billion on the back of about 29% growth in volume (no. of cases) of sales. The growth in revenue is still principally driven by its brandy portfolio which accounts for more than 60% of sales augmented by the increase in sales of the spirits sector. Wines and specialty beverages also experienced dramatic growths in the current period and contributed to the segment's overall sales growth.

Income from operations increased to P178.4 Million in 2017 or 0.58% higher from last year's P177.4 Million.

Net income for the 2017 period increased by P3.8 Million from P132.4 Million in 2016 to P136.2 Million in 2017 or 2.86%.

Specialty Retail

Office Warehouse

As at March 31, 2017, the company had expanded its retail network to 72 stores from 47 stores at acquisition date. Net selling area also increased to 14,445 sq.m. or a growth by 30.89% in 2017 as compared to 2016.

Sales revenues increased to P440.0 Million in 2017 or 17.59% higher as compared to the 2016 revenue contribution of P374.2 Million mainly attributable to its continuing stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 6.12% during the first quarter of 2017.

Net income contribution in 2017 amounted to about P15.8 Million which increased by P.752 Million or 5.01% as compared to the net income contribution in 2016 amounting to P15.0 Million

Liquigaz

Revenues generated in 2017 amounted to P3.0 Billion or 33.2% higher as compared to the 2016 revenues of P2.26 Billion mainly attributable to the improvements in global petroleum and gas prices during the first quarter of 2017. Net income in 2017 amounted to P100.9 Million which decreased by P23.3 Million or 18.76% as compared to that of 2016 amounting to P124.2 Million.

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

IV. FINANCIAL CONDITION

Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group as at March 31, 2017 and December 31, 2016:

(In Millions)	**2017**	%	2016	%	***INCREASE (DECREASE)***	%
ASSETS						
Current Assets						
Cash and cash equivalents	**5,681**	*5.65%*	12,634	*12.22%*	***-6,954***	*-55.04%*
Receivables - net	**5,765**	*5.74%*	6,806	*6.57%*	***-1,047***	*-15.38%*
Available-for-sale financial assets	**9**	*0.01%*	8	*0.01%*	***1***	*15.05%*
Short-term investments	**922**	*0.92%*	910	*0.88%*	***12***	*1.31%*
Investment in trading securities	**37**	*0.04%*	35	*0.03%*	***2***	*4.59%*
Inventories	**20,660**	*20.56%*	19,792	*19.14%*	***868***	*4.38%*
Due from related parties	**186**	*0.18%*	185	*0.18%*	***1***	*0.33%*
Prepayments and other current assets	**2,307**	*2.30%*	1,627	*1.59%*	***680***	*41.80%*
	35,566	*35.39%*	41,998	*40.61%*	***-6,431***	*-15.33%*
Noncurrent Assets						
Property and equipment - net	**19,815**	*19.72%*	18,663	*18.05%*	***1,152***	*6.17%*
Investment properties - net	**15,697**	*15.62%*	15,438	*14.93%*	***259***	*1.68%*
Intangible assets	**22,607**	*22.50%*	22,599	*21.85%*	***9***	*0.04%*
Investments	**928**	*0.92%*	927	*0.90%*	***1***	*0.15%*
Deferred oil and mineral exploration costs	**122**	*0.12%*	121	*0.12%*		*0.23%*
Deferred tax assets - net	**122**	*0.12%*	117	*0.11%*	***6***	*4.97%*
Other non-current assets	**5,635**	*5.61%*	3,559	*3.44%*	***2,077***	*58.36%*
	64,928	*64.61%*	61,423	*59.39%*	***3,505***	*5.71%*
TOTAL ASSETS	**100,494**	***100.00%***	103,420	*100.00%*	***-2,926***	*-2.84%*
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	**7,359**	*7.32%*	11,776	*11.39%*	***-4,417***	***-37.51%***
Income tax payable	**1,686**	*1.68%*	1,102	*1.07%*	***584***	***52.97%***
Short-term loans payable	**4,668**	*4.64%*	5,363	*5.19%*	***-695***	*-12.96%*
Current portion of long-term borrowing	**166**	*0.17%*	164	*0.16%*	***1***	*0.85%*
Due to related parties	**644**	*0.64%*	690	*0.67%*	***-46***	*-6.66%*
Other current liabilities	**421**	*0.42%*	543	*0.52%*	***-122***	*-22.41%*
	14,944	*14.87%*	19,638	*18.99%*	***-4,694***	*-23.90%*
Noncurrent Liabilities						
Retirement benefit cost	**513**	*0.51%*	513	*0.50%*	***-1***	*-0.14%*
Deferred tax liabilities	**738**	*0.73%*	752	*0.73%*	***-14***	*-1.89%*
Long term loans payable - net of debt issue cost	**7,224**	*7.19%*	7,224	*6.98%*	***1***	*0.01%*
Deposits for future stock subscription	**150**	*0.15%*	150	*0.15%*	-	*0.00%*
Non-current accrued rent	**2,978**	*2.96%*	2,910	*2.81%*	***68***	*2.33%*
Other non-current liabilties	**475**	*0.47%*	445	*0.43%*	***30***	*6.65%*
	12,077	*12.02%*	11,994	*11.60%*	***83***	*0.69%*
TOTAL LIABILITIES	**27,021**	*26.89%*	31,632	*30.59%*	***-4,611***	*-14.58%*
EQUITY						
Capital stock	**7,405**	*7.37%*	7,405	*7.15%*	-	*0.00%*
Additional paid-in capital	**9,635**	*9.59%*	9,635	*9.32%*	-	*0.00%*
Remeasurement of retirement liability - net of tax	**1**	*0.00%*	1	*0.00%*		*0.29%*
Reserve for fluctuations in value of AFS financial assets	**6**	*0.01%*	5	*0.00%*	***1***	*26.87%*
Treasury shares	**-524**	*-0.52%*	-524	*-0.51%*		*0.00%*
Retained earnings	**34,857**	*34.69%*	33,809	*32.69%*	***1,048***	*3.10%*
Total Equity Attributable to Equity Holders of Parent Company	**51,380**	*51.13%*	50,330	*48.67%*	***1,050***	*2.09%*
Non-controlling interest	**22,093**	*21.98%*	21,458	*20.75%*	***635***	*2.96%*
TOTAL EQUITY	**73,473**	*73.11%*	71,788	*69.41%*	***1,685***	*2.35%*
TOTAL LIABILITIES AND EQUITY	**100,494**	*100.00%*	103,420	*100.00%*	***-2,926***	*-2.83%*

Current Assets

Cash and cash equivalents amounted to P5.68 Billion as at March 31, 2017 with a decrease of P6.95 Billion or 55.04% from December 31, 2016 balance. The decrease was due basically to the net effect of the settlement of trade and non-trade payables principally from the Grocery Retail Segment, payment of 2016 cash dividends, settlement of loans and payments for capital expenditures during the period.

Short-term investments increased by 1.31% from December 31, 2016 balance of P910 Million to this year's balance of P922 Million due mainly to the additional short term placements made by the Real Estate segment.

Receivables decreased by 15.38% from December 31, 2016 balance of P6.81 Billion to this period's balance of P5.76 Billion due mainly to the collections made.

Available-for-sale financial assets increased by 15.05% from December 31, 2016 balance of P8 Million to this period's balance of P9 Million due mainly to the effect of changes in stock prices.

Investment in trading securities increased by 4.59% from December 31, 2016 balance of P35 Million to this period's balance of P37 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 4.38% from 2016 balance of P19.79 Billion to this period's balance of P20.66 Billion due to the grocery retail segment's expansion and additional stocking requirement of of existing and new operating stores, as well as the additional stocking requirements of the Liquor Distribution segment. Bulk of the inventory account pertains to the merchandise inventory stocks of the grocery retail segment amounting to P17.55 Billion.

Prepayments and other current assets increased by P680 Million or 41.81% at the end of March 2017, due mainly to the availment of new policies for insurance of new stores, store and office supplies, creditable withholding tax and advance payment of rent for soon to open stores by the Grocery Retail Segment.

Non-current Assets

As at March 31, 2017 and December 31, 2016, total non-current assets amounted to P64.93 Billion or 64.61% of total assets, and P61.42 Billion or 59.39% of total assets, respectively, for an increase of P3.50 Billion or 5.71%.

Property and equipment-net pertains to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment increased by P1.15 Billion from P18.66 Billion in December 2016 to P19.81 Billion in March 2017 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment and capital expenditures from Specialty Retail and Real Estate segments.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P259 Million or 1.68% from P15.44 Billion in December 2016 to P15.70 Billion in March 2017.

Other non-current assets increased by P2.1 Billion from P3.56 Billion in December 2016 to P5.63 Billion in March 2017. About 28% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits and advance rentals in relation to new leases acquired for new stores development as well as the accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at March 31, 2017 and December 31, 2016, total current liabilities amounted to P14.94 Billion and P19.64 Billion respectively, for decrease of P4.70 Billion or 23.94%.

About 61% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The decrease by P4.42 Billion or 37.51% was primarily due to net settlement of trade and non-trade liabilities and payment of dividends by the Grocery Retail, Real Estate, Specialty and Parent Company in 2016.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P583 Million from P1.10 Million as at December 2016 to P1.68 Billion as at March 31, 2017 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the three-month period in 2017 in relation to the same period in 2016.

Short-term loans payable account decreased by P695 Billion mainly due to settlements made by by the Grocery Retail and Liquor Distribution segments.

Due to related parties decreased by P52 Million mainly due to the repayment of advances made by the Grocery Retail and Real Estate segments during 2017.

Other current liabilities decreased by 22.41% from P543 Million as at December 31, 2016 to P421 Million as at March 31, 2017 relatively due to redemption of PERKS points earned by members and settlement of VAT payable for the period by the Grocery Retail Segment.

Noncurrent Liabilities

As at March 31, 2017 and December 31, 2016, total non-current liabilities amounted to P12.08 Billion and P11.99 Billion, respectively, for an increase of P83 Million or 0.69%.

Noncurrent accrued rent increased by P68 million or 2.33% from P2.9 Billion in December 2016 to P2.98 Billion in Mach 2017 due to recognition of rent expense for lease contracts entered into by the Grocery Retail segment in compliance with PAS 17 – Leases.

V. SOURCES AND USES OF CASH

A brief comparative summary of cash flow movements during the three-month period is shown below:

	For the Three-month period ended March 31			
		2017		2016
Net cash used in operating activities	**P**	**(3,007,189,770)**	P	(170,385,457)
Net cash used investing activities		**(1,899,670,210)**		(1,039,235,898)
Net cash used in financing activities		**(2,046,733,849)**		(2,403,073,532)
Net decrease in cash and cash equivalents	**P**	**(6,953,593,829)**	P	(3,612,694,887)

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

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

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Grocery Retail and Liquor Distribution segments during the period, payment of 2016 cash dividends declared by the Grocery Retail segment and Parent Company.

Management believes that the current levels of internally generated funds and its present cash position enables the Group to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. This can be augmented through availment from existing untapped banking and credit facilities as and when required.

VI. MATERIAL EVENTS AND UNCERTAINTIES

(i) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(ii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

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

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

(v) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

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

(vii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

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

(ix) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

PART II--OTHER INFORMATION

Disclosure not made under SEC Form 17-C - None

SECTION A

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

Contents

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017and December 31, 2016

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

	Note	March 31 and December 31 2017 (UNAUDITED)	2016
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P5,680,870,125**	P12,634,463,954
Short-term investments	*5*	**921,838,148**	909,928,496
Receivables - net	*6*	**5,758,901,725**	6,805,704,418
Inventories	*7, 21*	**20,660,018,824**	19,792,366,124
Investments in trading securities	*8*	**36,719,071**	35,109,026
Available-for-sale financial assets	*9*	**9,433,588**	8,199,308
Due from related parties	*26*	**185,743,101**	185,135,625
Prepaid expenses and other current assets	*10*	**2,306,863,874**	1,626,699,219
Total Current Assets		**35,560,388,456**	41,997,606,170
Noncurrent Assets			
Investments	*11*	**928,040,358**	926,668,984
Property and equipment - net	*12*	**19,815,290,348**	18,662,865,178
Investment properties - net	*13*	**15,697,319,298**	15,438,015,914
Intangibles and goodwill - net	*14*	**22,607,402,525**	22,598,516,243
Deferred oil and mineral exploration costs - net	*15*	**121,657,586**	121,382,422
Deferred tax assets - net	*28*	**122,385,762**	116,587,497
Other noncurrent assets	*16, 22*	**5,635,464,884**	3,558,554,337
Total Noncurrent Assets		**64,927,560,761**	61,422,590,575
		P100,487,949,217	P103,420,196,745
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*17*	**P7,359,069,733**	P11,775,809,624
Short-term loans payable	*18*	**4,667,500,000**	5,362,500,000
Current maturities of long - term loans, net of debt issue costs	*18*	**165,825,277**	164,433,702
Income tax payable		**1,685,901,401**	1,102,117,992
Due to related parties	*26*	**638,350,296**	690,334,673
Other current liabilities	*19*	**419,766,169**	542,542,941
Total Current Liabilities		**14,936,412,876**	19,637,738,932
Noncurrent Liabilities			
Long-term loans - net of current maturities and debt issue costs	*18*	**P7,224,024,934**	7,223,504,941
Deferred tax liabilities – net	*28*	**738,121,411**	751,935,258
Retirement benefits liability	*27*	**513,552,598**	513,453,426
Deposits for future subscriptions in a subsidiary	*20*	**150,313,060**	150,313,060
Noncurrent accrued rent	*22*	**2,977,826,084**	2,909,884,085
Other noncurrent liabilities		**474,727,642**	445,130,198
Total Noncurrent Liabilities		**12,078,565,729**	11,994,220,968
Total Liabilities		**27,014,978,605**	31,631,959,900

Forward

		March 31 and December 31	
		2017	
	Note	(UNAUDITED)	2016
Equity			
Capital stock	*29*	**P7,405,263,564**	P7,405,263,564
Additional paid-in capital	*29*	**9,634,644,229**	9,634,644,229
Treasury stocks, at cost	*29*	**(523,864,669)**	(523,864,669)
Remeasurements of retirement liability - net of tax	*27*	**693,724**	691,724
Reserve for fluctuations in value of AFS financial assets	*9*	**5,827,753**	4,593,473
Retained earnings	*29*	**34,857,018,633**	33,808,564,743
Total Equity Attributable to Equity Holders of Parent Company		**51,379,583,234**	50,329,893,064
Non-controlling interest		**22,093,387,378**	21,458,343,781
Total Equity		**73,472,970,612**	71,788,236,845
		P100,487,949,217	P103,420,196,745

See Notes to the Consolidated Financial Statements.

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

	Note	Periods Ended March 31 2017 (UNAUDITED)	2016 (UNAUDITED)
REVENUES			
Net sales		**P31,905,026,873**	28,403,582,307
Services		**419,575,939**	389,400,083
Production lifting		**278,563**	209,786
		32,324,881,375	28,793,192,176
COST OF SALES AND SERVICES			
Cost of sales	*21*	**26,629,910,843**	23,673,665,174
Cost of services	*21*	**264,354,425**	232,384,069
		26,894,265,268	23,906,049,243
GROSS PROFIT		**5,430,616,107**	4,887,142,933
OTHER OPERATING INCOME	*23*	**785,850,100**	738,786,852
		6,216,466,207	5,625,929,785
OPERATING EXPENSES	*24*	**3,718,091,232**	3,262,978,446
INCOME FROM OPERATIONS		**2,498,374,975**	2,362,951,339
OTHER INCOME (EXPENSES)			
Interest income		**21,105,600**	(77,066,928)
Interest expense	*18*	**(39,446,971)**	37,121,748
Others - net	*25*	**7,057,421**	9,136,850
		(11,283,950)	(30,808,330)
INCOME BEFORE INCOME TAX		**2,487,091,025**	2,332,143,009
INCOME TAX EXPENSE	*28*	**697,900,418**	676,000,072
NET INCOME		**1,789,190,607**	1,656,142,937
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss in subsequent periods			
Unrealized fair value gains (losses) on available for sale financial assets	*9*	**1,234,280**	597,129
Item that will never be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit liability	*27*		185,819
Income tax effect		-	-
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**1,234,280**	782,948
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P1,790,424,887**	P1,656,925,885
Net income attributable to:			
Equity holders of the Parent Company		**P1,154,145,010**	P1,078,068,958
Non-controlling interests		**635,045,597**	578,073,979
		P1,789,190,607	P1,656,142,937
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**P1,155,379,291**	P1,078,833,324
Non-controlling interests		**635,045,597**	578,092,562
		P1,790,424,888	P1,656,925,886
Basic/Diluted earnings per share attributable to equity holders of the Parent Company	*31*	**P0.161851**	P0.150996

See Notes to the Consolidated Financial Statements.

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

	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Notes 1 and 29)	Additional Paid-in Capital (Note 29)	Treasury Stock (Note 29)	Remeasurements of Retirement Liability Net of Tax (Note 27)	Reserve for Fluctuations in Value of AFS Financial Assets	Retained Earnings	Non-controlling Interest	Total Equity
As at December 31, 2015	P7,405,263,564	P9,634,644,229	(P440,506,732)	(P28,576,936)	P4,981,351	P29,868,620,397	P19,099,532,524	P65,543,958,397
Effect of business combination	-	-	-	-	-			
Acquisition of treasury stocks	-	-	(13,228,265)	-	-			(13,228,265)
Cash dividends	-	-	-	-	-			
	-	-	(13,228,265)	-	-			(13,228,265)
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	1,078,068,958	578,073,979	1,656,142,937
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	597,128	-	-	597,128
Remeasurement gains on defined benefit liability - net of tax	-	-	-	(185,818)	-	-		(185,818)
Total comprehensive income	-	-	-	(185,818)	597,128	1,078,068,958	578,073,979	1,656,554,247
As at March 31, 2016	P7,405,263,564	P9,634,644,229	(P453,734,997)	(P28,762,754)	P5,578,479	P30,946,689,355	P19,677,606,503	P67,187,284,379
As at December 31, 2016	P7,405,263,564	P9,634,644,229	(P523,864,669)	P691,724	P4,593,473	P33,808,564,743	P21,458,343,781	
Effect of business combination	-	-	-	2,000	-	(105,691,120)	(2,000)	(105,691,120)
Acquisition of treasury stocks	-	-		-	-	-	-	-
Cash dividends	-	-	-	-	-			-
	-	-	-	2,000	-	(105,691,120)	(2,000)	(105,691,120)
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	1,154,145,010	635,045,597	1,789,190,607
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	1,234,280	-	-	1,234,280
Remeasurement gains on defined benefit liability - net of tax	-	-	-					-
Total comprehensive income	-	-	-	-	1,234,280	1,154,145,010	635,045,597	1,790,424,887
As at March 31, 2017	P7,405,263,564	P9,634,644,229	(P523,864,669)	P693,724	P5,827,753	P34,857,018,633	P22,093,387,378	P73,472,970,612

See Notes to the Consolidated Financial Statements

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

	Note	Periods Ended March 31 2017 (UNAUDITED)	2016 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**2,487,091,025**	P2,332,143,010
Adjustments for:			
Depreciation and amortization	*12, 13, 14*	**487,847,506**	440,070,260
Rent expense in excess of billings		**67,951,143**	88,905,431
Interest expense	*18*	**39,446,971**	77,066,928
Retirement benefits cost	*27*	**1,329,055**	1,410,797
(Gain) loss on disposal of property and equipment		**(12,135)**	(13,460)
Dividend income		**(121,691)**	(57,680)
Share in net loss of joint venture and associate	*11*	**(1,072,679)**	4,443
Unrealized loss (gain) in trading securities	*8, 25*	**(1,610,045)**	(480,888)
Unrealized foreign exchange loss (gain)		**(2,212,713)**	2,442,828
Interest income		**(21,105,600)**	(37,121,748)
Operating income before changes in working capital		**3,057,530,837**	2,904,369,921
Decrease (increase) in:			
Receivables-net		**1,046,802,693**	267,631,530
Investments in trading securities		**1,610,045**	(480,888)
Inventories		**(867,652,700)**	(380,248,548)
Prepaid expenses and other current assets		**(680,164,655)**	(935,714,660)
Due from related parties		**(607,476)**	(31,726,355)
Other non-current assets		**(2,076,910,547)**	298,327,477
Increase (decrease) in:			
Accounts payable and accrued expenses		**(3,063,094,474)**	(2,952,843,998)
Trust receipts payable		**-**	1,128,769
Due to related parties		**(51,984,377)**	680,000,629
Other current liabilities		**(295,704,737)**	(3,455,548)
Other noncurrent liabilities		**29,597,444**	80,772,952
Cash generated from operations		**(2,900,577,946)**	(72,238,719)
Interest paid		**(107,657,371)**	(95,647,417)
Retirement benefits paid		**(1,167,166)**	(56,493)
Net cash used in operating activities		**(P3,009,402,483)**	(P167,942,629)

Forward

	Note	Periods Ended March 31 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**P21,105,600**	P37,121,745
Proceeds from disposal of property and equipment		**4,115,293**	-
Dividends received		**121,691**	57,680
Increase in oil and mineral exploration		**(275,164)**	-
Additions to short-term investments	*5*	**(11,909,652)**	(270,935,408)
Additions to intangibles	*14*	**(17,988,402)**	(8,436,493)
Additions to investment properties	*13*	**(298,159,866)**	(81,452,672)
Additions to property and equipment	*12*	**(1,596,679,710)**	(715,590,753)
Net cash used in investing activities		**(1,899,670,210)**	(1,039,235,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net availment (settlement) of loans	*18*	**(693,088,432)**	(1,034,000,000)
Cash dividends paid		**(1,353,645,417)**	(1,355,845,267)
Buyback of capital stocks		**-**	(13,228,265)
Net cash (used in) provided by financing activities		**(2,046,733,849)**	(2,403,073,532)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**2,212,713**	(2,442,828)
DECREASE IN CASH AND CASH EQUIVALENTS		**(6,953,593,829)**	(3,612,694,887)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**12,634,463,954**	14,541,465,350
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P5,680,870,125**	P10,928,770,463

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

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

On October 8, 1999, the stockholders approved the amendment of the primary purpose of the Parent Company from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Parent Company. The SEC approved the amendment on January 13, 2000. As a holding company, Cosco may engage in any business that may add to its shareholders' worth.

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

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

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

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

As a result of the above transaction, the entities mentioned above became the subsidiaries of the Parent Company. The transaction has been accounted for as a business combination under common control, using the pooling of interest method. As allowed under PIC Q&A 2012-01, the pooling of interest method has been applied prospectively from the acquisition date. The assets and liabilities acquired are recognized at the respective book values or carrying amounts in the entities from June 1, 2013. The difference between the book values of the net assets acquired and the consideration paid or equity instruments issued is recognized in equity, under retained earnings account.

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

	Percentage of Ownership	
	2017	2016
Puregold Price Club, Inc. and Subsidiaries (PPCI)	**51**	51
Montosco, Inc. (Montosco)	**100**	100
Meritus Prime Distributions, Inc. (Meritus)	**100**	100
Premier Wine and Spirits, Inc. (Premier)	**100**	100
Nation Realty, Inc. (NRI) [(1)]	**100**	100
Patagonia Holdings Corp. (PHC)	**100**	100
Ellimac Prime Holdings, Inc. (EPHI) [(6)]	**100**	100
Fertuna Holdings Corp. (FHC)	**100**	100
Pure Petroleum Corp. (PPC)	**100**	100
Alcorn Petroleum and Minerals Corporation (APMC)	**100**	100
NE Pacific Shopping Centers Corporation (NPSCC) [(2)]	**100**	100
Office Warehouse, Inc. (OWI) [(3)]	**100**	100
Canaria Holdings Corporation (Canaria) [(4)]	**90**	90
Liquigaz Philippines Corporation (LPC) [(5)]	**90**	90
Calor Philippines Holdings, Inc. (Calor) [(4)]	**90**	90

(1) *The merger of Nation Realty, Inc., Go Fay & Co, Inc., SVF Corporation and 999 Shopping Mall, Inc. (NRI as the absorbing entity), was approved by SEC on January 29, 2014.*
(2) *Acquired on February 28, 2014.*
(3) *Acquired on May 1, 2014.*
(4) *Acquired on July 17, 2014.*
(5) *Acquired on July 21, 2014.*
(6) *The merger of EPHI and 118 (EPHI as the absorbing entity), was approved by SEC on January 28, 2016.*

PPCI
Incorporated and registered with the SEC on September 8, 1998 to engage in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. Its shares are listed in the Philippine Stock Exchange (PSE) since October 5, 2011 with stock symbol of PGOLD.

The consolidated financial statements also include the following indirect subsidiaries owned through PPCI:

	Percentage of Ownership	
	2017	2016
Kareila Management Corporation (KMC) [a]	**100**	100
S&R Pizza (Harbor Point), Inc. [b]	**100**	100
S&R Pizza, Inc. [c]	**100**	100
PPCI Subic, Inc. (PSI) [d]	**100**	100
Entenso Equities Incorporated (Entenso) [e]	**100**	100
Goldtempo Company Incorporated (Goldtempo) [f]	**100**	100
Daily Commodities, Inc. (DCI) [g]	**100**	100
First Lane Super Traders Co., Inc. (FLSTCI) [g]	**100**	100

(a) Operator of S&R Membership Shopping; incorporated and registered with the Philippine SEC in 2004; acquired by the Parent Company on May 28, 2012 through a Share Swap Agreement.
(b) A wholly-owned subsidiary of KMC incorporated on May 25, 2015.
(c) A wholly-owned subsidiary of KMC incorporated on June 10, 2016.
(d) Incorporated and registered with the Philippine SEC on May 31, 2012 and started commercial operations on September 20, 2012.
(e) Incorporated and registered with the Philippine SEC on May 22, 2013 as a holding company (see Note 9).
(f) Acquired on August 26, 2015 through Entenso which subsequently acquired the significant assets of Bargain City, Inc. Multi-Merchantrade Inc. and Superplus Corporation.
(g) Acquired on February 3, 2015 through Entenso through a stock acquisition.

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

	March 31 and December 31	
	2017	2016
Non-controlling interest percentage	**49%**	49%
Current assets	**P23,380,433,553**	P27,801,589,624
Noncurrent assets	**38,348,475,366**	37,581,124,132
Current liabilities	**(11,081,261,102)**	(16,063,776,540)
Noncurrent liabilities	**(6,199,257,776)**	(6,147,358,587)
Net assets	**44,448,390,041**	43,171,578,629
Carrying amount of non-controlling interests	**P21,779,711,120**	P21,154,073,528
Revenue	**P27,533,912,036**	P112,589,366,240
Net income for the year	**1,275,378,270**	5,526,230,406
Other comprehensive income	**-**	63,175,124
Total comprehensive income	**P1,275,378,270**	P5,589,405,530
Net income allocated to non-controlling interest	**P624,935,352**	P2,707,852,899
Other comprehensive income allocated to non-controlling interests	**-**	30,955,811

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

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

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

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

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

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

118
Incorporated and registered with the SEC on November 11, 2008 to invest, purchase, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts, or obligations of corporations, associations, domestic or foreign , for whatever lawful purpose may have been organized, and to pay therefore in whole or in part, in cash or by exchanging therefore stocks, bonds, or other corporation, and while the owner or holder of any such real or personal property, stocks, debentures, notes, evidences of indebtedness or other securities, contracts, obligations, to receive, collect and dispose interest, dividends and income arising from such property and to possess and exercise in respect thereof, all the rights, stocks so owned.

On November 2, 2015, the BOD of EPHI and 118 approved the merger of the two entities, with EPHI as the surviving entity and, consequently, the latter filed for the approval with SEC. On January 28, 2016, the SEC approved the plan of merger.

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

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

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

APMC
Incorporated and registered with the SEC on July 5, 2013 primarily to carry on in the Philippines or elsewhere the business of exploration, discovery, development and exploitation of mineral oils, petroleum and in its natural state, rock or carbon oils, natural gas and all kinds of ores, metals, minerals and natural resources and the products and by-products thereof and etc.

NPSCC
Incorporated and registered with the SEC on August 14, 1996 to primarily engage in the establishment and management of shopping malls.

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

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

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

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

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

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

	March 31 and December 31	
	2017	2016
Non-controlling interest percentage	**10%**	10%
Current assets	**P2,963,178**	P2,963,178
Noncurrent assets	**3,528,450,757**	3,528,450,757
Current liabilities	**(3,429,406,844)**	(3,429,394,744)
Noncurrent liabilities	-	-
Net assets	**102,007,091.00**	102,019,191
Carrying amount of non-controlling interests	**P10,200,709**	P10,201,919
Revenue	-	P -
Net loss for the year	**(P500)**	(47,652)
Total comprehensive loss	**(P500)**	(P47,652)

LPC

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

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

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

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

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

	March 31 and December 31	
	2017	2016
Non-controlling interest percentage	**10%**	10%
Current assets	**P1,298,181,445**	P1,617,493,221
Noncurrent assets	**2,422,364,451**	1,981,876,261
Current liabilities	**(892,846,297)**	(873,016,092)
Noncurrent liabilities	**(22,040,316)**	(21,878,427)
Net assets	**2,805,659,283**	2,704,474,963
Carrying amount of non-controlling interests	**P280,565,928**	P270,447,496
Revenue	**P3,008,016,854**	P8,926,568,469
Net income for the year	**100,916,368**	273,187,159
Other comprehensive loss	**-**	(2,262,294)
Total comprehensive income	**P100,916,368**	P270,924,865
Net income allocated to noncontrolling interest	**10,091,637**	P27,318,716
Other comprehensive loss allocated to non-controlling interests	**-**	(226,229)

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

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

On April 23, 1999, SHV Calor entered into an agreement with LPC to sell, transfer and convey all its right, title and interest in Calor.

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

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

	March 31 and December 31	
	2017	2016
Non-controlling interest percentage	**10%**	10%
Current assets	**P23,692**	P23,692
Noncurrent assets	**42,681,727**	42,098,222
Current liabilities	**(37,094,362)**	(36,951,000)
Noncurrent liabilities	**-**	-
Net assets	**5,611,056**	5,170,914
Carrying amount of non-controlling interests	**P561,106**	P517,091
Revenue	**P329,939**	P1,793,950
Net income for the year	**186,577**	1,262,185
Total net income/comprehensive income	**P186,577**	P1,262,185
Net income allocated to noncontrolling interest	**P18,658**	P126,219

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

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on May 5, 2017.

Basis of Consolidation

Business Combinations Under Common Control

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

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

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

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

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

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

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

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

As at March 31, 2017 and December 31, 2016, the cost of its investments in joint ventures amounted to P423.09 million and P422.85 million, respectively (see Note 11).

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

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

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

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

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

Rent expense recognized in profit or loss amounted to P579.82 million and P457.69million in 2017 and 2016, respectively (see Notes 21, 22 and 24).

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

Rent income recognized in profit or loss amounted to P94.56 million and P91.70 million in 2017 and 2016, respectively (see Notes 22 and 23).

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

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

The allowance for impairment losses on receivables amounted to P129.99 million and P134.84 million as at December 31, 2016 and 2015, respectively. The carrying amount of receivables amounted to P5,758.90 million and P6,805.70 million as at March 31, 2017 and December 31, 2016, respectively (see Note 6).

Estimating Net Realizable Value (NRV) of Inventories
The Group carries inventories at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (i.e., pre-termination of contracts). The estimate of the NRV is reviewed regularly.

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

The carrying amount of inventories amounted to P20,660.02 million and P19,792.37 million as at March 31, 2017 and December 31, 2016, respectively (see Note 7).

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

In addition, the estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

Depreciation and amortization recognized in profit or loss amounted to P487.85 million and P440.07 million in 2017 and 2016, respectively (see Notes 21 and 24). Property and equipment, net of accumulated depreciation, amounted to P19,815.29 million and P18,662.87 million as at March 31, 2017 and December 31, 2016, respectively (see Note 12).

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

Amortization recognized in profit or loss amounted to P8.55 million and P7.79 million in 2017 and 2016, respectively. Net carrying value of computer software and licenses and leasehold rights amounted to P266.11 million and P256.67 million as at March 31, 2017 and December 31, 2016, respectively (see Note 14).

Impairment of Goodwill, Trademarks and Customer Relationships with Indefinite Lives

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

The carrying amounts of goodwill, trademark and customer relationships with indefinite useful lives amounted to P22,607.40 million and P22,598.52 million as at March 31, 2017 and December 31, 2016, respectively (see Note 14).

Estimating Retirement Benefits/Obligation

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

Retirement benefits liability amounted to P512.75 million and P513.45 million as at March 31, 2017 and December 31, 2016, respectively (see Note 27).

Estimating Provisions and Contingencies

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

As at March 31, 2017 and December 31, 2016, the Group recognized provision amounting to P199.11 million for LPC's deficiency income tax, input VAT and withholding taxes for taxable years 2005 and 2006.

3. Summary of Significant Accounting Policies

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

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

The Group has adopted the following relevant and applicable amendments to standards starting January 1, 2016 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to the standards did not have any significant impact on the Group's consolidated financial statements:

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

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

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

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

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

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

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

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

  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these standards.

Effective January 1, 2017

- *A Disclosure initiative (Amendments to PAS 7).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

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

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

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

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

Effective January 1, 2019

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

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

Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

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

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

Financial Instruments

Date of Recognition

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

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

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

The Group had no HTM investments and FVPL financial liabilities as at March 31, 2017 and December 31, 2016.

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

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

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

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

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

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

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

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

The carrying amounts of financial assets under this category amounted to P36.72 million and P35.11 million as at March 31, 2017 and December 31, 2016, respectively
(see Note 8).

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

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

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

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

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

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

Other Financial Liabilities

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

The Group's accounts payable and accrued expenses, short-term loans and long-term loans payable, due to related parties, trust receipts payable, other current liabilities and noncurrent accrued rent are included in this category (see Notes 17, 18 and 19).

Debt Issue Costs

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statements of financial position.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Inventories

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

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

Investments in Joint Ventures and Associates

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

An associate is an enterprise in which the investor has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

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

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

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

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized in profit or loss.

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

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

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets as follows:

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

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

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

Investment Properties

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

Construction-in-progress is carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

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

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

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

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

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

Intangible Assets and Goodwill

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see policy on basis of consolidation. Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

Intangible Assets

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

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

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

Computer software and licenses and leasehold rights are separately acquired by the Group that has finite useful life is measured at cost less accumulated amortization and impairment losses, if any.
Subsequent costs are capitalized only when they increase the future economic benefits embodied in the capitalized software to which they relate. All other expenditures are recognized in profit or loss when incurred.

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

Deferred Oil and Mineral Exploration Costs

Deferred oil and exploration costs are accounted for using the full-cost method, where all acquisition, exploration and development costs are capitalized as deferred costs when incurred and on the basis of each contract area. Where oil and gas of commercial quantity is produced, the exploration and development costs are reclassified to and capitalized as wells, platforms and other facilities under the 'Property and equipment" account. Producing and non-producing contract areas are evaluated periodically and considering a number of factors, a determination is made whether it is probable that a significant impairment of the carrying cost of deferred oil and mineral exploration costs of each contract area has occurred. If impairment is believed to have occurred, a further analysis is performed to determine the impairment to be recorded for specific contract areas.
If the Company abandons all exploration efforts in a contract area where there are no proven reserves, all acquisition and exploration costs associated with the contract area are recognized in profit or loss. A contract area is considered abandoned if the contract has expired and/or there are no definite plans for further exploration and development.

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

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

Impairment of Assets

Financial Assets

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

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

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

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

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

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the assets does not exceed its amortized cost at the reversal date.

AFS Financial Assets

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

All impairment losses are recognized in profit or loss.

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

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

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

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

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

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

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

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

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

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

Deposits for Future Stocks Subscription

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

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

Other Comprehensive Income

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

Revenue and Expense Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

- *Sale of Services*

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

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

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

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

  Interest Income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.

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

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

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

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

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

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

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

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

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

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

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

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

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

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

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

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

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

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

Leases
Group as Lessee
Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.
Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income.

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

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

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

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2017**	2016
Cash on hand		**P651,838,333**	P874,642,602
Cash in banks	*32, 33*	**2,643,712,586**	4,947,573,880
Money market placements	*32, 33*	**2,385,319,206**	6,812,247,472
		P5,680,870,125	P12,634,463,954

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 1.00% to 2.30% in 2017 and from 1.00% to 2.30% in 2016.

5. Short-term Investments

These short-term investments are placements with a commercial banking institution, with maturity of more than 90 days. The Group, primarily the Retail and Real Estate segments, engage in investing activities in order to maximize earnings on available cash funds. These investments earn annual interest at the prevailing market rate of 1.0% to 2.50% and 1.5% to 1.875% in 2017 and 2016, respectively.

Subsidiaries that are engaged in investing activities are as follows:

	Note	**2017**	2016
NRI		**P639,061,200**	P637,269,561
PPC		**161,039,964**	161,039,964
EPHI		**121,736,984**	111,618,971
	32, 33	**P921,838,148**	P909,928,496

6. Receivables - net

This account consists of:

	Note	2017	2016
Trade receivables	*a*	**4,043,404,134**	5,003,918,823
Non-trade receivables	*b*	**1,616,436,595**	1,831,822,616
Others		**233,900,268**	104,802,251
		5,893,740,997	6,940,543,690
Less allowance for impairment losses on trade receivables from third parties	*a*	**(34,839,272**	134,839,272
	32, 33	**P5,758,901,725**	P6,805,704,418

a. Majority of trade receivables pertain to credit card transactions which are due within 30 days or its normal credit period. The Group partners only with reputable credit card companies affiliated with major banks. Management believes that except for the accounts provided with allowance for impairment losses amounting to P134.84 million as at March 31, 2017 and December 31, 2016, all other receivables are collectible and therefore, no additional allowance is necessary.

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

	2017	2016
Beginning balance	**P134,839,272**	P149,684,186
Write-off during the year	**-**	(14,844,914)
Ending balance	**P134,839,272**	P134,839,272

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

7. Inventories

This account consist of:

	Note	2017	2016
Merchandise inventory		**P17,840,164,236**	P16,762,355,399
Liquors, wines and spirits		**2,687,665,797**	2,752,627,491
LPG, autogas and LPG accessories		**132,188,791**	277,383,234
	21	**P20,660,018,824**	P19,792,366,124

Merchandise inventory consists of groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, office supplies etc.) held for sale in the ordinary course of business on wholesale and retail basis.

Inventory cost as at March 31, 2017 and December 31, 2016 is lower than NRV.

Inventory charged to the cost of sales amounted to P26,629.91 million and P23,673.66 million in 2017 and 2016, respectively (see Note 21).

8. Investments in Trading Securities

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

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

Cost	***Note***	**2017**	2016
Balance at beginning of year		**P15,355,998**	P15,355,998
Additions		-	-
Balance at end of year		**15,355,998**	15,355,998
Valuation Adjustments			
Balance at beginning of year		**19,753,028**	19,076,593
Unrealized valuation gain (loss) on financial assets at FVPL for the year	*25*	**1,610,045**	676,435
Balance at end of year		**21,363,073**	19,753,028
	33	**P36,719,071**	P35,109,026

9. Available-for-sale Financial Assets

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

	Note	**2017**	2016
Investment in debt securities	*32*	**P1,918,335**	P1,918,335
Investment in shares of stock		**7,515,253**	6,280,974
	33	**P9,433,588**	P8,199,309

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

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

Reserve for changes in value of AFS financial assets amounted to P5.83 million and P4.59 million as at March 31, 2017 and December 31, 2016, respectively.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2017	2016
Prepaid expenses		**P980,924,270**	P637,915,611
Input value added tax (VAT)		**941,969,195**	550,875,990
Advances to suppliers		**298,958,465**	210,024,661
Deferred input VAT	*16*	**1,033,978**	137,736,290
Creditable withholding tax		**72,021,332**	63,839,530
Others		**11,956,634**	26,307,137
		P2,306,863,874	P1,626,699,219

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.

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

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

11. Investments

This account consists of:

	Note	2017	2016
Investments in joint ventures	*b*	**P423,093,005**	P422,847,806
AFS financial assets	*a, 32, 33*	**7,879,160**	7,879,160
Investment in associates	*c*	**497,068,193**	495,942,018
		P928,040,358	P926,668,984

a. AFS Financial Assets

Retail

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

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

b. Investments in Joint Ventures

Retail

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

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

  The summarized financial information of PLCI follows:

	2016	2015
Current assets	**P206,676,729**	P400,307,281
Noncurrent assets	**272,316,662**	145,084,817
Current liabilities	**98,552,558**	86,708,140
Noncurrent liabilities	**7,804,447**	4,002,655
Total equity	372,636,386	535,215,424
Income	67,478,676	55,408,813
Pre-operating expenses	**193,910,829**	95,675,874
Net loss	**87,544,295**	40,267,061

  ** Incorporated on June 12, 2014.*

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

	2017	2016
Carrying amount	**P256,995,907**	P318,276,913
Share in net loss	-	(61,281,006)
	P256,995,907	P256,995,907

- On July 8, 2013, the Group through PPCI entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold), for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as both parties may agree. AyaGold was incorporated in the Philippines on July 8, 2013 and is expected to start operations in 2015.

  Both parties subscribed to 6,000,000 common shares and 54,000,000 redeemable preferred shares each with a par value of P1.00 for a total investment of P60 million representing 50% interest each to the joint venture.

The redeemable preferred shares shall have the following features:

(a) Voting rights;

(b) Participating in dividends declaration for common shares and may be entitled to such dividends as may be determined and approved by the Board of Directors;

(c) Entitled to receive out of the assets of the joint venture available for distribution to the parties, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution; and

(d) Redeemable at the option of the joint venture.

The summarized financial information of AyaGold is as follows:

	2016	2015
Current assets	**P128,836,435**	P107,026,560
Noncurrent assets	**167,581,943**	186,094,527
Current liabilities	**76,158,776**	65,319,851
Total equity	**220,259,602**	227,801,236
Revenues	**99,008,504**	36,910,296
Net loss	**106,550,140**	82,535,165
	7,541,636	31,929,071

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

	2017	2016
Carrying amount	**P110,350,627**	P114,121,444
Additional investment	**-**	-
Share in net loss	**-**	(3,770,817)
	P110,350,627	P110,350,627

Specialty Retail

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

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

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

The carrying amount of LPC's investment and its share in results of MJVC as at and for the year ended March 31, 2017 and December 31, 2016 are presented below:

	2017	2016
Balance at beginning of year	**P55,501,273**	P55,165,767
Share in net income (loss)	**245,199**	335,506
Balance at end of year	**P55,746,472**	P55,501,273

The financial information of MJVC as at March 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Assets	**116,222,333**	P110,883,226
Liabilities	**4,568,925**	4,132,995
Net Assets	**111,653,408**	106,750,231
Revenues	**7,000,000**	25,000,000
Net income (loss)	**707,764**	671,072

c. *Investment in Associate*

Retail

San Roque Supermarkets or SRS

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

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

The carrying amount of SRS's investment and its share in results of SRS in 2017 and 2016 are presented below:

	2017	2016
Carrying Amount		
Balance at beginning of the year	**P424,424,914**	P426,572,570
Share in net income (loss)	**-**	(2,147,656)
	P424,424,914	P424,424,914

Specialty Retail

Peninsula Land Bay Realty Corporation or PLBRC

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

LPC accounted its investment in PLBRC under equity method.

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

	2017	2016
Balance at beginning of year	**P28,606,841**	P26,869,514
Share in net income	**1,351,711**	1,737,327
Balance at end of year	**29,958,552**	P28,606,841

Holding

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

	2017	2016
Acquisition Cost	**P22,958,280**	P22,958,280
Accumulated share in results		
January 1	**19,257,982**	17,345,992
Share in net income	**135,526**	2,605,990
December 31	**19,393,508**	19,257,982
	P42,351,788	P42,910,262

The financial information of PLBRC as at December 31, 2016 and 2015 are as follows:

	2016	2015
Assets	**P157,209,103**	140,847,990
Liabilities	**14,174,901**	6,500,422
Net Assets	**143,034,202**	134,347.568
Revenues	**60,000,000**	60,000,000
Net income	**8,686,634**	8,679,465

12. Property and Equipment - net

The movements and balances of this account as at and for the years ended December 31 consist of:

	Building	Furniture and Fixtures	Office and store equipment	Leasehold improvement	Land	Construction-in-progress	Transportation equipment	Wells, platforms and other facilities	Storage tanks	Total
Cost										
Balance as at January 1, 2016	P5,833,905,512	P1,987,230,385	P4,575,076,472	P6,063,690,441	P403,740,156	P272,048,499	P458,377,267	P204,955,261	P1,479,716,358	P21,278,740,371
Transfer in										
Additions	266,930,752	174,606,373	763,005,627	579,213,374	938,721	2,008,553,567	76,862,168		39,190,672	3,909,301,254
Reclassifications	100,393,352	46,041,553	230,952,626	1,048,111,880	(24,869,686)	(1,141,618,128)				259,011,598
Disposals		(1,435,780)	(5,418,958)	(781,883)			(5,526,230)			(13,162,851)
Ad~ustments		7 215 742	2 470 402	1 062 858			460 537	(460 537)		11 670 076
Balance as at December 31, 2016	6,201,229,616	2,199,226,790	5,581,145,365	7,689,170,954	379,809,191	1,138,983,938	529,252,667	204,494,744	1,518,907,030	25,422,220,296
Transfer in										
Additions	92,115,307	100,988,144	142,249,558	228,451,061		990,716,622	37,442,093		4,716,926	1,596,679,710
Reclassifications	141,152,124			(47,498,292)		(93,653,832)				
Disposals		(9,609,951)	(36,158,732)	(13,238,104)						(59,006,787)
Ad~ustments			8 983 290							8 983 290
Balance as at March 31, 2017	6,434,497,047	2,290,604,983	5 676 219 481	7 856 885 619	379 809 191	2 036 046 728	566 694 760	204 494 744	1 523 623 956	26 968 876 509
(Forwarded)										
Accumulated Depreciation										
Balance as at January 1, 2015	1,288,188,127	622,690,944	1,920,049,753	666,589,470			160,892,782	44,917,503	438,564,015	5,141,872,594
Transfer in										
Depreciation and amortization	237,539,579	176,729,893	724,002,729	354,347,982			77,510,682		57,270,256	1,627,401,022
Adjustments			(20,345)				(458,487)	(458,487)		(937,319)
Reclassification		186,558	(186,558)							
Disposals/Retirements		(140,757)	(3,108,076)	(206,115)			(5,526,230)			(8,981,178)
Balance as at December 31, 2016	1,525,727,706	799,466,637	2,640,737,503	1,020,711,337			232,418,647	44,459,016	495,834,272	6,759,355,118
Transfer in										
Depreciation and amortization	62,587,903	46,426,163	195,744,930	106,318,837			23,432,682		14,599,887	449,110,402
Adjustments										
Reclassification			2,663	(2,663)						
Disposals/Retirements		(9,485,208)	(32 588 010)	(12 806 141)						(54,879,359)
Balance as at March 31, 2017	P2,424,723,202	P836,407,592	P2,803 897,085	P1,114,221,370	P	P	P255 851,329	P44,459,016	P510,434,158	P7,153,586,161
Carrying amount										
Balance, December 31, 2016	P4,675,501,910	P1,399,760,153	P2 920 407 862	P6 668,459 617	P379,809,191	P1 138,983,938	P296,834,020	P160,035,728	P1,023,072,758	P18,662,865,178
Balance, March 31, 2017	P4,009,773,845	P1,454 197,391	P2,872,322,396	P6,742,664,248	P379,809,191	P2,036,046,728	P310,843,431	P160,035,728	P1,013,189,798	P19,815,290,348

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

Depreciation and amortization charged to profit and loss are as follows:

	Note	2017	2016
Cost of sales and services	*21*	**P37,445,542**	P34,543,773
Operating expenses	*24*	**403,263,113**	356,053,736
		P440,708,655	P390,599,525

No impairment loss was recognized in 2017 and 2016.

13. Investment Properties

This account consists of:

	Building	Land	Construction-in-progress	Total
Cost				
Balance as at January 1, 2016	P6,060,770,459	P9,108,798,264	P380,911,917	**P15,550,480,639**
Additions	99,912,633	401,205,247	224,253,169	**725,371,050**
Adjustment	9,004,701			**9,004,701**
Transfer			(9,004,701)	**(9,004,701)**
Balance as at December 31, 2016	6,169,687,793	9,510,003,511	596,160,385	**16,275,851,689**
Additions	14,782,308	220,152,487	63,225,071	**298,159,866**
Adjustment	(669,746)			**(669,746)**
Transfer			(4,660,714)	**(4,660,714)**
Balance as at March 31, 2017	**P6,183,800,355**	**P9,730,155,998**	**P654,724,741**	**P16,568,681,095**
Accumulated Depreciation				
Balance as at January 1, 2015	P707,371,088	(P23,432)	-	**P707,347,656**
Depreciation and amortization	130,488,119	-	-	**130,488,119**
Balance as at December 31, 2015	837,859,207	(23,432)	-	**837,835,775**
Depreciation and amortization	33,526,021	-	-	**33,526,021**
Balance as at March 31, 2017	**P871,385,228**	**(P23,432)**	-	**P871,361,796**
Carrying amount				
Balance as at December 31, 2016	P5,331,828,586	P9,510,026,943	P596,160,385	**P15,438,015,914**
Balance as at March 31, 2017	**P5,312,415,127**	**P9,730,179,430**	**P654,724,741**	**P15,697,319,298**

All depreciation expense are charged to cost of services (see Note 21).

As at March 31, 2017 and December 31, 2016, the fair value of the investment properties amounted to P23.5 billion based on independent appraisals obtained in 2012. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively. Management believes that the appraisal in 2012 is still applicable for disclosure purposes as at December 31, 2016 as there are no significant changes in the condition of its land and building. The fair values of the land and buildings are determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively, which is categorized as Level 2 under the fair value hierarchy.

Fair value adjustment pertains to the difference of book value and fair market value of the investment properties of NPSCC. In both years, the aggregate fair values of NPSCC's properties amounted to P993.88 million. The fair values are based on the appraisal report by an independent appraiser using the Cost and Market Data Approaches (see Note 14).

The rental income earned by the Group from these properties amounted to P419.57 million and P389.40 million in 2017 and 2016, respectively (see Note 23).

Direct costs incurred pertaining to the lease of these properties amounted to P264.35 million and P232.38 million in 2017 and 2016, respectively (see Note 21).

14. Intangibles and Goodwill

This account consists of:

	Note	**2017**	2016
Goodwill	*a*	**17,742,182,885**	P17,742,733,358
Trademark	*b*	**3,709,660,547**	3,709,660,547
Customer relationships	*b*	**889,452,981**	889,452,981
Computer software and licenses - net	*c*	**204,631,004**	194,252,311
Leasehold rights	*c*	**61,475,108**	62,417,046
		22,607,402,525	P22,598,516,243

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

	Note	2017	2016
KMC		**P12,079,473,835**	P12,079,473,835
LPC		**1,624,427,821**	1,624,427,821
OWI		**893,789,949**	893,789,949
Budgetlane Supermarkets	*a.1*	**837,974,199**	838,524,672
Gant Group of Companies Incorporated (Gant)		**742,340,804**	742,340,804
DCI and FLSTCI	*a.2*	**685,904,317**	685,904,317
NPSCC		**457,304,121**	457,304,121
Company E		**358,152,015**	358,152,015
CPHI		**51,432,111**	51,432,111
Puregold Junior Supermarket, Inc. (PJSI)		**11,370,121**	11,370,121
CHC		**9,450**	9,450
Merger of PJSI and Gant to PPCI		**4,142**	4,142
		17,742,182,885	P17,742,733,358

a.1 Acquisition of Bargain City Inc. (BCI), Multi-Merchantrade Inc. (MMI) and Superplus Corporation (SC) (collectively as "Budgetlane Supermarkets")

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

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

Acquisition cost	P1,496,500,821
Fair value of net assets	694,661,082
Goodwill	**P801,839,739**

Movement of goodwill is as follows:

Goodwill at acquisition date	P801,839,739
Fair value adjustments	36,134,460
Goodwill	**P837,974,199**

In 2016, goodwill arising from the acquisition of BCI, MMI and SC increased by P36.68 million upon finalization of BCI's, MMI's and SC's purchase price allocation. Change in fair value of net assets is due to the following:

	Increase (Decrease)
Input VAT	(P36,736,182)
Transportation equipment	(2,308,000)
Accounts payable - nontrade	1,552,949
Other current liabilities	806,300
Effect in fair value of net assets	**(P36,684,933)**

Management has determined that the adjustment was not significant and has no impact in profit or loss, thus, the impact was treated prospectively.

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

a.2. Acquisition of Daily Commodities Inc. (DCI) and First Lane Super Traders Co., Inc. (FLSTCI)

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

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

Cash consideration transferred	P768,485,000
Fair value of net assets (100%)	77,580,683
Goodwill	**P690,904,317**

Movement of goodwill is as follows:

Goodwill at acquisition date	P690,904,317
Fair value adjustments	(5,000,000)
Goodwill	**P685,904,317**

In 2016, goodwill arising from the acquisition of DCI and FLSTCI decreased by P5 million upon finalization of DCI's and FLSTCI's purchase price allocation. As a result, the carrying value of the identifiable net assets at the date of acquisition changes, and the change resulted to increase in liabilities and consequently decrease net assets. Management has determined that the adjustment was not significant and has no impact in profit or loss, thus, the impact was treated prospectively.

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

b. *Trademark and Customer Relationships*

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

Impairment of goodwill, trademark and customer relationship

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

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at March 31, 2017 and December 31, 2016.

c. *Leasehold Rights and Computer Software and Licenses*

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

The movements and balances of leasehold rights and computer software and licenses as at and for the period and year ended March 31 and December 31 consists of:

	Computer Software	Leasehold Rights	Total
Cost			
Balance, January 1, 2016	P307,228,615	P75,355,005	**P382,583,620**
Additions	40,446,219		**40,446,219**
Adjustments	(1,230,006)		**(1,230,006)**
Balance, December 31, 2016	346,444,828	75,355,005	**421,799,833**
Additions	17,988,402		**17,988,402**
Balance, March 31, 2017	**364,433,230**	**75,355,005**	**439,788,235**
Accumulated Amortization			
Balance, January 1, 2016	125,505,340	9,170,209	**134,675,549**
Amortization	26,687,177	3,767,750	**30,454,927**
Balance, December 31, 2016	152,192,517	12,937,959	**165,130,476**
Amortization	7,609,709	941,938	**8,551,647**
Balance, March 31, 2017	**159,802,226**	**13,879,897**	**173,682,123**
Carrying Amount			
Balance, December 31, 2016	P194,252,311	P62,417,046	**P256,669,357**
Balance, March 31, 2017	**P204,631,004**	**P61,475,108**	**P266,106,112**

All amortization expense is charged to operating expenses (see Note 24).

15. Deferred Oil and Mineral Exploration Costs

This account consists of:

	Note	Participating Interest	2017	2016
I. **Oil exploration costs:**				
SC 14	*a*			
Block C2 (West Linapacan)		1.53%	**P54,020,921**	P53,745,757
Block D		5.84%	**8,031,189**	8,031,189
Block B1 (North Matinloc)		13.55%	**1,969**	1,969
			62,054,079	61,778,915
SC 6A	*b*			
Octon Block		0.50%	**17,011,880**	17,011,880
North Block		1.57%	**600,419**	600,419
			17,612,299	17,612,299
SC 51	*c*	9.32%	**32,817,032**	32,817,032
SC 6B (Bonita)	*d*	2.11%	**8,027,418**	8,027,418
Other oil projects			**527,341**	527,341
			41,371,791	41,371,791

Balance at end of year			**121,038,168**	120,763,005
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**19,208,048**	19,208,048
Anoling gold project	*g*	3.00%	**13,817,415**	13,817,415
Gold projects	*h*	100.00%	**13,036,487**	13,036,487
Cement project	*i*	100.00%	**9,603,218**	9,603,218
Other mineral projects	*j, k*		**382,338**	382,338
			56,047,506	56,047,506
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:			**(56,092,352)**	(56,092,352)
Balance at end of year			**(44,846)**	(44,846)
III. Other deferred charges			**664,263**	664,263
Balance at end of year			**P121,657,586**	P121,382,422

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

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

a.) SC 14 Gabon - Etame, Offshore Gabon, West Africa

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

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

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

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

The Parent Company is still seeking the additional US$200,000 (peso equivalent: P8.8 million) as stated in provision (ii) of the above agreement for the computed oil reserves in excess of 65 million barrels as at December 31, 2012. As at December 31, 2016 and 2015, there were no further developments on the said project.

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

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

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

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

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

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project. In 2016, additional deferred charges amounting to P413,721 was capitalized.

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

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

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

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

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

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

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

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

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

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

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

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

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

The impending expiry of SC 6B-Bonita Block was also resolved in a DOE letter of June 17, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Bonita Block subject to terms and conditions.
In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

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

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project. In 2016, additional deferred charges amounting to P72,218 was capitalized.

e.) Exploration Permit Application No. 175-IVB - Nickel Project Aborlan, Palawan
An Order of Denial has been issued by MGB-IVB during the last quarter of 2010 due to inactivity and lack of NCIP clearance among others. The Parent Company submitted a letter of reconsideration and MGB-IVB granted a temporary reprieve in order for the Parent Company to show commitment in completing the application.

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

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

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

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

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

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

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

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

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

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

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

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

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

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

h.) Exploration Permit Application No. 080 - Gold Project, Tinongdan Itogon, Benguet
As at December 31, 2012, all field activities and IP negotiations are suspended. The Parent Company is currently finding a solution to move the project forward and convince the big land owners to give their consent and complete the FPIC process. A final appeal for reinstatement has been lodged before the MGB Central office.

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

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

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

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

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

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

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

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

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

In 2016, the Company paid occupation amounting to P0.502 million for the project.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

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

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

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

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

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

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

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

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

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

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

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

k.) Exploration Permit No. 000071 - Copper Project, Concepcion, Iloilo

On June 22, 2010, the exploration permit application was registered and approved by the regional office of MGB-6 in Iloilo City. All surface activities remained suspended. The Parent Company is currently preparing the budget for work programs and IEC presentations for approval by the Cosco Board.

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

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

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

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

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

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

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

16. Other Noncurrent Assets

This account consists of mainly of security deposits, accrued rent income, deferred input VAT and prepaid rent with carrying value amounting to P5,635.46 million and P3,558.55 million as at March 31, 2017 and December 31, 2016, respectively.

Accrued rent income pertains to the excess of rent income over billing to tenants in accordance with PAS 17, *Leases*.

17. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2017	2016
Trade payables	*32, 33*	**P3,225,379,464**	P6,301,050,236
Non-trade payables	*32, 33*	**1,967,650,488**	2,166,709,157
Dividends		**-**	1,353,645,417
Withholding taxes payable and other statutory payables		**434,846,614**	570,872,841
Deferred rent income	*32, 33*	**6,828,836**	19,076,603
Construction bonds	*32, 33*	**18,916,516**	17,282,685
Accrued expense	*32, 33*		
Manpower agency services		**615,418,280**	561,727,984
Tax assessments		**199,113,762**	199,113,762
Utilities		**226,614,420**	99,604,604
Rent		**57,493,264**	63,481,123
Professional fees		**71,184,200**	61,104,033
Fixed asset acquisition		**50,148,133**	24,974,641
Interest		**3,482,245**	3,940,506
Others	*32, 33*	**481,993,511**	333,226,032
		P7,359,069,733	P11,775,809,624

The average credit period on purchases of certain goods from suppliers is 60 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame (see Note 32).

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

18. Loans Payable

As at March 31, 2017 and December 31, 2016, the Group has the following outstanding loans payable:

a. Short-term Loans Payable

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

Segment		2017	2016
Liquor	Short-term note based on 2.375%	**P70,000,000**	P245,000,000
Real estate	Short-term note based on 2.375%	**600,000,000**	600,000,000
Retail	Short-term note based on 2.5%	**900,000,000**	1,220,000,000
Retail	Short-term note based on 2.0%	**200,000,000**	200,000,000
Retail	Short-term note based on 2.125%	**450,000,000**	450,000,000
Retail	Short-term note based on 2.375%	**2,447,500,000**	2,647,500,000
		P4,667,500,000	P5,362,500,000

The Group issued and executed the following notes:

2017

Execution Date	Maturity Date	Interest Rate	Principal
February 23, 2017	**May 24, 2017**	**2.375%**	**P550,000,000**
January 27, 2017	**July 26, 2017**	**2.375%**	**500,000,000**
January 26, 2017	**April 28, 2017**	**2.500%**	**490,000,000**
January 25, 2017	**July 27, 2017**	**2.375%**	**467,500,000**
February 20, 2017	**May 19, 2017**	**2.500%**	**310,000,000**
February 27, 2017	**May 26, 2017**	**2.375%**	**300,000,000**
February 3, 2017	**March 5, 2017**	**2.3750%**	**300,000,000**
November 15, 2016	**June 30, 2017**	**2.125%**	**250,000,000**
January 27, 2017	**July 26, 2017**	**2.000%**	**200,000,000**
January 23, 2017	**July 21, 2017**	**2.125%**	**200,000,000**
December 9, 2016	**April 7, 2017**	**2.3750%**	**200,000,000**
February 8, 2017	**August 7, 2017**	**2.375%**	**180,000,000**
February 10, 2017	**August 9, 2017**	**2.375%**	**180,000,000**
January 11, 2017	**July 10, 2017**	**2.375%**	**150,000,000**
December 12, 2016	**June 9, 2017**	**2.3750%**	**70,000,000**
October 10, 2016	**April 7, 2017**	**2.375%**	**50,000,000**
			P4,397,500,000

2016

Execution Date	Maturity Date	Interest Rate	Principal
November 25, 2016	February 23, 2017	2.375%	P550,000,000
February 3, 2016	January 27, 2017	2.375%	500,000,000
October 28, 2016	January 26, 2017	2.500%	490,000,000
February 1, 2016	January 25, 2017	2.375%	467,500,000
February 26, 2016	February 20, 2017	2.500%	310,000,000
October 14, 2016	January 12, 2017	2.500%	300,000,000
November 29, 2016	February 27, 2017	2.375%	300,000,000
December 6, 2016	February 3, 2017	2.3750%	300,000,000
November 15, 2016	June 30, 2017	2.125%	250,000,000
August 26, 2016	January 27, 2017	2.000%	200,000,000
October 25, 2016	January 23, 2017	2.125%	200,000,000
December 9, 2016	April 7, 2017	2.3750%	200,000,000
February 15, 2016	February 8, 2017	2.375%	180,000,000
August 15, 2016	February 10, 2017	2.375%	180,000,000
January 18, 2016	January 11, 2017	2.375%	150,000,000
December 13, 2016	March 13, 2017	2.375%	150,000,000
October 28, 2016	January 26, 2017	2.125%	122,000,000

February 9, 2016	February 1, 2017	2.375%	120,000,000
October 28, 2016	January 26, 2017	2.500%	120,000,000
December 16, 2016	March 15, 2017	2.3750%	100,000,000
December 12, 2016	June 9, 2017	2.3750%	70,000,000
November 8, 2016	March 8, 2017	2.125%	53,000,000
October 10, 2016	April 7, 2017	2.375%	50,000,000
			P5,362,500,000

Principal amounts will be due on lump sum on their maturity dates. Extension and/or renewal of the notes are granted by the financial institution to the Group. Total short-term loans payable renewed and extended in 2016 amounted to P2,157.50 million.

b. Long-term Loans Payable

As at March 31, 2017 and December 31, the outstanding loans consist of:

	Note	**2017**	2016
Long-term loans by Parent	*b.1*	**P4,872,233,559**	P4,870,841,985
Long-term loans by Subsidiaries	*b.2*	**2,517,616,651**	2,517,096,658
		7,389,850,210	7,387,938,643
Less current portion		**165,825,276**	164,433,702
Noncurrent portion		**P7,224,024,934**	P7,223,504,941

b.1 The outstanding loan by the Parent is as follows:

	2017	2016
Loan Facilities (net of debt issuance costs)		
Fixed-Rate Peso Corporate Notes	**4,872,233,559**	P4,870,841,985
Less current portion	**45,825,276**	44,433,702
	4,826,408,283	P4,826,408,283

Movements in debt issuance costs are as follows:

	2017	2016
Balance at beginning of year	**P29,158,015**	P34,500,632
Amortization during the year	**463,858**	5,342,617
Balance at end of year	**P28,694,157**	P29,158,015

Repayment Schedule

As at March 31, 2017, the annual maturities of loans payable are as follows:

Year	**Gross Amount**	**Debt Issuance Cost**	**Net**
2017	**50,000,000**	**5,566,298**	**44,433,702**
2018	**50,000,000**	**5,802,439**	**44,197,561**
2019	**50,000,000**	**6,051,734**	**43,948,266**
2020	**50,000,000**	**6,314,917**	**43,685,083**
More than 5 years	**4,700,000,000**	**5,422,627**	**4,694,577,373**
	P4,900,000,000	**P29,158,015**	**P4,870,841,985**

As at December 31, 2016, the annual maturities of loans payable are as follows:

Year	Gross Amount	Debt Issuance Cost	Net
2017	50,000,000	5,566,298	44,433,702
2018	50,000,000	5,802,439	44,197,561
2019	50,000,000	6,051,734	43,948,266
2020	50,000,000	6,314,917	43,685,083
More than 5 years	4,700,000,000	5,422,627	4,694,577,373
	P4,900,000,000	P29,158,015	P4,870,841,985

Financing of Capital Expenditures and Debt Obligations

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

Below are the terms of the loan facility:

Fixed-Rate Peso Corporate Notes

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

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

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

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

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

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

As at March 31, 2017 and December 31, 2016, the Parent Company is in compliance with the terms and conditions of the loans.

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

Segment	Unsecured Peso Denominated	Note	2017	2016
Retail	Fixed rate note based on 3.5%	*i*	**P1,997,616,651**	P1,997,096,658
Retail	Fixed rate note based on 3.25%	*ii*	**120,000,000**	120,000,000
Retail	Fixed rate note based on 3.5%	*iii*	**400,000,000**	400,000,000
			2,517,616,651	2,517,096,658
	Less current portion		**120,000,000**	120,000,000
			P2,397,616,651	P2,397,096,658

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

ii. On April 14, 2013, the Parent Company signed and executed a two (2) year promissory note amounting to P963.70 million. The debt bears a 3.25% interest rate per annum and shall be repaid in a single payment on maturity. As of March 2017, a total of P843.70 million of the loan amount was already paid. The balance was renewed at 2.375% interest rate per annum and payable on July 3, 2017.

The movements in debt issue costs are as follows:

	2017	2016
Balance at beginning of the year	**P2,903,342**	P4,937,702
Amortization during the year	**(519,993)**	(2,034,360)
Balance at end of year	**P2,383,349**	P2,903,342

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

<u>Repayment Schedule</u>
The annual maturities of long-term loans are as follows:

Year	2017	2016
2017	**P120,000,000**	P120,000,000
2018	**2,000,000,000**	2,000,000,000
	P2,120,000,000	P2,120,000,000

There are no debt covenants for above unsecured loans entered into by the Group.

Interest expense from these loans amounting to P21.67 million and P75.44 million were capitalized in March 2017 and December 2016, respectively and recognized in building and leasehold improvements under property and equipment accounts (see Note 10). Remaining interest expense that was charged to profit and loss amounted to P34.07 million and P101.47 million in March 2017 and December 2016, respectively.

19. Other Current Liabilities

This account as at March 31 and December 31 consists of:

	Note	2017	2016
Deposits	*22, 32, 33*	**P235,638,739**	P274,329,511
Unredeemed gift certificates		**84,652,216**	102,275,712
Loyalty and rewards		**48,987,738**	88,449,780
Output VAT		**19,379,367**	48,367,991
Promotion fund		**15,292,317**	13,402,740
Others	*32, 33*	**15,815,792**	15,717,207
		P419,766,169	P542,542,941

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

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

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

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

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

20. Deposit for Future Subscriptions in a Subsidiary

The Group through OWI received funds from prospective investors intended as deposit for future stock subscriptions of OWI once the increase for Company's authorized capital is approved by the SEC. Outstanding amount due to stockholders were converted to deposit for subscription in 2013 amounting to P150.3 million. On March 1, 2017, the management of OWI filed the application to SEC for the increase in the authorized capital stock from P320,000 divided into 320,000 shares to P200,000,000 divided into 200,000,000 shares. The application was subsequently approved by the SEC on March 13, 2017 with effectivity on the same date.

21. Cost of Sales and Services

This account for the periods ended March 31 consists of:

Cost of Sales

	2017	2016
Beginning inventory	**P19,792,366,124**	P16,740,693,333
Purchases/effect of business combination	**27,419,807,936**	23,496,618,890
Overhead costs allocated to inventories	**77,755,606**	104,294,832
Total goods available for sale	**47,289,929,666**	40,341,607,055
Ending inventory	**20,660,018,823**	17,120,941,881
	P26,629,910,843	P23,673,665,174

Transfer-in pertains to the beginning inventory for newly-acquired subsidiaries.

Cost of Services

	Note	2017	2016
Utilities		**P87,974,075**	P91,649,323
Depreciation	*12, 13*	**84,616,493**	49,472,751
Taxes and licenses		**24,336,395**	17,430,879
Security services		**20,001,901**	23,902,520
Janitorial services		**13,640,042**	11,884,196
Repairs and maintenance		**10,257,794**	13,293,025
Rentals	*22*	**8,894,137**	10,480,755
Management fees		**8,501,877**	7,874,913
Insurance		**3,968,785**	5,397,131
Others		**2,162,926**	998,586
		P264,354,425	P232,384,079

22. Lease Agreements

As Lessee

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

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

Rent expense recognized in profit or loss amounted to P579.82 million and P457.69 million in 2017 and 2016, respectively (see Note 24).

The scheduled maturities of non-cancellable minimum future rental payments are as follows:

	2017	2016
Due within one year	**P2,153,359,652**	P2,094,307,137
Due more than one year but not more than five years	**9,027,649,487**	8,825,322,493
Due more than five years	**34,514,448,480**	33,437,452,880
	P45,695,457,617	P44,357,082,510

As Lessor

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

Rent income recognized as part of "Other Operating Income" account in profit or loss amounted to P94.56 million and P91.70 million in 2017 and 2016, respectively (see Note 23).

The scheduled maturities of non-cancellable minimum future rental collections are as follows:

	2017	2016
Due within one year	**P220,501,336**	P213,715,008
Due more than one year but not more than five years	**242,217,255**	257,952,124
Due more than five years	**117,438,546**	148,073,465
	P580,157,137	P619,740,597

23. Other Operating Income

This account for the periods ended March 31 consists of:

	Note	**2017**	2016
Concession income		**P360,938,958**	313,748,031
Display allowance		**140,879,365**	149,021,226
Membership income		**98,693,738**	80,864,102
Rent income	*22*	**94,562,187**	91,700,588
Listing fee		**12,697,565**	21,290,485
Merchandising support		**12,263,970**	27,546,747
Demo/sampling income		**3,134,955**	2,787,652
Miscellaneous		**62,679,362**	51,828,021
		P785,850,100	738,786,852

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 Kareila, Company E and Subic wherein such fees permit only membership, and all other services or products are paid for separately.

Service income pertains to income generated from promotional activities.

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

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

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

24. Operating Expenses

This account for the periods ended March 31 consists of:

	Note	2017	2016
Rent	22	**P570,927,140**	P447,207,295
Manpower- agency		**551,934,802**	495,544,451
Salaries and wages		**517,577,585**	470,187,335
Communication, light and water		**442,949,183**	399,051,456
Depreciation and amortization	*12,13, 14*	**403,231,012**	355,794,031
Outside services		**342,723,373**	325,317,025
Taxes and licenses		**180,973,547**	154,124,157
Concession expense		**111,650,751**	102,759,209
Store and office supplies		**134,037,481**	96,885,889
Repairs and maintenance		**98,893,635**	101,323,191
Distribution costs		**68,934,922**	34,598,283
Advertising and marketing		**66,725,177**	73,739,999
Insurance		**49,283,574**	40,423,686
SSS/Medicare and HDMF contributions		**31,242,449**	28,388,228
Transportation		**20,097,575**	19,003,951
Input VAT allocable to exempt sales		**18,078,169**	17,269,265
Fuel and oil		**14,035,823**	9,786,623
Representation and entertainment		**11,705,364**	14,263,873
Royalty expense	26	**10,291,557**	9,352,630
Warehousing and delivery		**4,409,809**	10,391,937
Professional fee		**8,841,585**	9,537,570
Retirement benefits cost	27	**1,329,055**	1,410,797
Others		**58,217,664**	46,617,565
		P3,718,091,232	P3,262,978,446

25. Others

This account for the periods ended March 31 consists of:

	Note	2017	2016
Commission income		**P9,373,412**	18,247,304
Unrealized valuation gain (loss) on trading securities	*8*	**1,610,045**	480,888
Gain (loss) on disposal of property and equipment		**(12,135)**	13,460
Share in results of associates and joint ventures	*11*	**1,072,679**	1,409,385
Bank charges		**(8,872,818)**	(9,467,199)
Foreign exchange loss		**2,212,713**	(2,442,828)
Miscellaneous		**1,673,525**	895,840
		P7,057,421	P9,136,850

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

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

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

26. Related Party Transactions

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

Related Party	Year	*Note*	Amount of Transactions for the Year	Due from Related Parties	Due to Related Parties	Terms	Conditions
Officers							
▪ Advances	**2017**	*a*	-	**1,130,521**	**252,276,033**	Due and demandable;	Unsecured
	2016	*a*	670,000,000	1,130,521	252,276,033	non-interest bearing	
Under Common Control							
▪ Advances	**2017**	*b*	**13,016,488**	**184,612,580**	**367,109,068**	Due and demandable;	Unsecured
	2016	*b*	86,870,763	184,005,104	395,306,931	non-interest bearing	
▪ Rent expense	**2017**	*f*	**254,550**		-	Due and demandable;	Unsecured
	2016	*f*	1,029,698	-	-	non-interest bearing	
Associates							
▪ Throughput fees	**2017**	*c*	**301,786**	-	**8,673,300**	Outstanding balance is settled in cash within a month after the end of each quarter;	Unsecured
	2016	*c*			8,975,086	non-interest bearing	
▪ Concession expense	**2017**	*d*	**111,650,751**	-	-	Due and demandable;	Unsecured
	2016	*d*	477,641,920	-	-	non-interest bearing	
Key Management Personnel							
▪ Royalty expense	**2017**	*e*	**10,291,557**	-	**10,291,895**	Due and demandable;	Unsecured
	2016	*e*	42,220,356	-	33,776,623	non-interest bearing	
▪ Short-term benefits	2015		124,593,457	-	-		
Total	**2017**			**P185,743,101**	**P638,350,296**		
Total	2016			P185,135,625	P690,334,673		

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

a. Officers

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

b. Under Common Control

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

c. Throughput Agreement

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

Throughput fees are shown as part of cost of sales (see Note 21).

d. Consignment and Concession

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

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

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

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

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

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

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

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

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

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

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

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

e. Royalty Agreement

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

f. Lease of Building

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

Amounts owed by and owed to related parties are to be settled in cash.

27. Retirement Benefit Costs

The Group has an unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2016. Valuations are obtained on a periodic basis.

The following table shows reconciliation from the opening balances to the closing balances of the present value of defined benefits obligations:

	2017	2016
Balance at January 1	**P538,453,426**	P504,824,597
Included in profit or loss		
Current service cost	**1,329,055**	101,720,124
Interest cost		26,069,156
Interest income on plan assets		(1,244,980)
Past service cost		6,332,696
	1,329,055	132,876,996
Included in other comprehensive income		
Remeasurements loss (gain):		
Changes in financial assumptions		-
Changes in demographic assumptions		-
Actuarial loss (gain) arising from:		
Financial assumptions		(57,014,909)
Experience adjustment		(28,932,566)
Return on plan assets excluding interest income		-
		(85,947,475)
Retirement benefits paid	**(1,167,166)**	(13,566,899)
Effect of business combination	**(867,271)**	266,207
Balance at December 31	**P537,748,044**	P538,453,426

The retirement benefits liability recognized in the consolidated statements of financial position as at December 31 are as follows:

	2017	2016
Present value of defined benefits obligation	**P537,748,044**	P538,453,426
Fair value of plan assets	**25,000,000**	(25,000,000)
Retirement benefits liability	**P512,748,044**	P513,453,426

The amount of retirement benefits cost recognized in profit or loss in December 31 consist of:

	2017	2016
Current service cost	**P1,329,055**	P101,720,124
Interest expense on the defined benefit liability	-	26,069,156
Interest income on plan assets	-	(1,244,980)
Past service cost	-	6,332,696
	P1,329,055	P132,876,996

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

	2017	2016
Cumulative actuarial loss at beginning of year	**(P74,041,077)**	P11,906,398
Actuarial loss (gain) due to increase in defined benefit obligation	**2,000**	(85,947,475)
Cumulative actuarial loss at end of year	**(P74,039,077)**	(P74,041,077)

The cumulative actuarial gain (loss), net of deferred income taxes, amounted to P0.07 million and as at March 31, 2017 and December 31, 2016, respectively, as presented in the consolidated statements of changes in equity.

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

	2017	2016
Discount rate	**5.38%**	5.38%
Future salary increases	**8.00%**	8.00%

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

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

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

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

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

2017

	Increase	**Decrease**
Discount rate (1% movement)	**P128,038,700**	**(P99,485,733)**
Future salary increase rate (1% movement)	**112,926,079**	**(93,856,514)**

2016

	Increase	Decrease
Discount rate (1% movement)	P128,038,700	(P99,485,733)
Future salary increase rate (1% movement)	112,926,079	(93,856,514)

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

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

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

Maturity analysis of the benefit payments:

	2017				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P538,453,426**	**P154,869,829**	**P21,591,965**	**P37,838,380**	**P95,439,484**

	2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P538,453,426	P154,869,829	P21,591,965	P37,838,380	P95,439,484

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

The Group has no expected future contribution for 2017.

28. Income Taxes

The income tax expense for the periods ended March 31 consists of:

	2017	2016
Current tax	**P703,171,768**	P645,267,410
Deferred tax	**(5,271,350)**	30,732,662
	P697,900,418	P676,000,072

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

	2017	2016
Income before income tax	**P2,487,091,025**	P2,332,143,009
Income tax expense at the statutory income tax rate:		
30%	**P716,125,679**	P698,462,970
5%	**1,716,121**	1,179,933
Income tax effects of:		
Changes in unrecognized DTA	**2,703,094**	-
Nondeductible other expenses	**893,419**	-
Non-deductible interest expense	**524,335**	4,635,578
Nondeductible expense	**2,943**	-
Dividend income exempt from final tax	**(36,507)**	(17,304)
Share in net income of an associate and joint venture	**(222,822)**	1,332
Non-taxable rental income	**(483,013)**	-
Interest income subjected to final tax	**(2,820,510)**	(11,136,524)
Deduction from gross income due to availment of optional standard deduction	**(20,502,321)**	-
Other non-taxable income	-	(17,125,913)
	P697,900,418	P676,000,072

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

	2016	2015
	DTA (DTL)	DTA (DTL)
Accrued rent expense	**P974,304,794**	P955,295,627
Retirement benefits liability	**184,298,637**	183,909,675
Allowance for impairment losses on receivables	**42,011,074**	42,011,074
Advanced rentals	**2,909,041**	2,909,041
NOLCO	**1,380,915**	1,380,915
Provision for gas cylinders	**510,000**	510,000
Unrealized foreign exchange loss	**500,142**	500,142
Recognition of DTA	**116,919**	100,508
Actuarial losses	**4,051,603**	(499,957)
DTA	**1,210,083,125**	1,186,117,025
Fair value of intangible assets from business combination	**(1,379,734,058)**	(1,379,734,058)
Accrued rent income	**(411,858,970)**	(398,328,163)
Remeasurement on retirement liability	**(26,829,576)**	(22,278,016)
Prepaid rent	**(6,466,317)**	(20,136,265)
Unrealized foreign exchange gain	**(929,853)**	(988,284)
DTL	**(1,825,818,774)**	(1,821,464,786)
Net	**(P615,735,649)**	(P635,347,761)

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

The details of the Group's NOLCO which are available for offsetting against future taxable income are shown below:

Year Incurred	Amount Incurred	Expired (Applied) During the Year	Remaining Balance	Expiration Date
2012	P22,654,191	(P22,654,191)	P -	2015
2013	376,230,238	(376,230,238)	-	2016
2014	104,036,834	-	104,036,834	2017
2015	471,224,898	-	471,224,898	2018
2016	261,274,865	-	261,274,865	2019
	P1,235,421,026	(P398,884,429)	P836,536,597	

The details of the Group's MCIT which are available for offsetting against future taxable income are shown below:

Year Incurred	Amount Incurred	Expired (Applied) During the Year	Remaining Balance	Expiration Date
2012	P2,612,079	(P2,612,079)	P -	2015
2013	1,316,275	(1,316,275)	-	2016
2014	2,568,707	-	2,568,707	2017
2015	4,071,221	-	4,071,221	2018
2016	9,512,014	-	9,512,014	2019
	P20,080,296	(P3,928,354)	P16,151,942	

29. Equity

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

Amount

	Note	**2017**	2016
Authorized	*1*	**P10,000,000,000**	P10,000,000,000
Issued and outstanding		**P7,405,263,564**	P7,405,263,564

Number of shares

	Note	**2017**	2016
Authorized - (2014 - P1 par value, 2013 - P1 par value)	*1*	**10,000,000,000**	10,000,000,000
Issued and outstanding		**7,405,263,564**	7,405,263,564
Treasury stocks		**(29,854,600)**	(29,854,600)
Balance at end of year		**7,375,408,964**	7,375,408,964

Capital Stock and Additional Paid-in Capital

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

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

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

The Parent Company has not yet implemented the stock option plan to qualified employees as at March 31, 2017 and December 31, 2016.

Treasury Stocks

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30 million shares within one year from the approval. On November 11, 2016, the Parent Company renewed its authority to buy back its shares for another one year. In 2016, the Parent Company bought back 1,847,400 shares with acquisition cost of P13.79 million and was classified in the Parent Company's book as treasury shares.

Retained Earnings

On December 22, 2016, the Company's BOD approved the declaration of a regular dividend of P0.06 per share and special dividend of P0.02 per share on record date of January 12, 2017 and payment date of January 20, 2017. The total amount of dividends payable, net of withholding taxes, as at December 31, 2016 amounted to P524.03 million.

On December 18, 2015, the Company's BOD approved the declaration of a regular dividend of P0.06 per share and special dividend of P0.02 per share on record date of January 8, 2016 and payment date of January 18, 2016. The total amount of dividends payable, net of withholding taxes, as at December 31, 2015 amounted to P526.23 million.

On December 18, 2014, the Parent Company's BOD approved the declaration of a regular dividend of P0.02 per share and special dividend of P0.06 per share on record date of January 12, 2015 and payment date of February 5, 2015. The total amount of dividends payable, net of withholding taxes, as at December 31, 2014 amounted to P592.42 million.

The summary of dividends declared as at December 31, 2016 and 2015 is as follows:

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	December 18, 2014	January 8, 2016	February 5, 2015	P592,421,085
Cash	December 18, 2015	January 8, 2016	January 18, 2016	590,873,301
Cash	December 22, 2016	January 12, 2017	January 20, 2017	590,032,717

30. Segment Information

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

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

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

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

Segment Revenue and Results

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

	Segment Revenues		Segment Profit	
	2017	2016	**2017**	2016
Grocery retail	**27,533,912,036**	P24,761,363,427	**P1,275,378,270**	P1,154,283,533
Specialty retail	**3,448,025,066**	2,632,375,899	**116,710,148**	139,266,170
Liquor distribution	**1,168,857,139**	1,129,691,566	**136,258,267**	132,475,239
Real estate	**552,082,378**	576,341,742	**256,218,720**	235,321,397
Holding, oil and mining	**278,563**	209,786	**4,625,202**	(5,203,402)
Total	**32,703,155,182**	29,099,982,420	**1,789,190,607**	1,656,142,937
Eliminations	**378,273,807**	306,790,244	**-**	-
	P32,324,881,375	P28,793,192,176	**P1,789,190,607**	P1,656,142,937

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

	2017	2016
Grocery retail		
From external customers	**P27,533,912,036**	P24,761,363,427
From intersegment sales	**-**	-
	27,533,912,036	24,761,363,427
Specialty retail		
From external customers	**3,447,227,960**	2,631,211,136
From intersegment sales	**797,106**	1,164,763
	3,448,025,066	2,632,375,899
Real estate		
From external customers	**419,575,939**	389,400,083
From intersegment sales	**132,506,439**	186,941,660
	552,082,378	576,341,743
Liquor distribution		
From external customers	**923,886,877**	1,011,007,745
From inter-segment sales	**244,970,262**	118,683,821
	1,168,857,139	1,129,691,566
Holding, oil and mining		
From external customers	**278,563**	209,786
Total revenue from external customers	**P32,324,881,375**	P28,793,192,176
Total intersegment revenue	**P378,273,807**	306,790,244

No single customer contributed 10% or more to the Group's revenue for the periods ended March 31, 2017 and 2016.

The Group's reportable segments are all domestic operations.

Segment Assets and Liabilities

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

	2017	2016
Segment Assets		
Grocery retail	**P61,728,908,919**	P65,382,713,756
Real estate	**23,297,278,885**	22,855,130,710
Specialty retail	**4,341,526,931**	4,181,843,631
Liquor	**5,274,400,180**	5,357,379,977
Holding, oil and mining	**96,644,524,308**	97,291,932,288
Total segment assets	**191,286,639,223**	195,069,000,362
Intercompany assets	**90,798,690,006**	91,648,803,617
Total assets	**P100,487,949,216**	P103,420,196,745
Segment Liabilities		
Grocery retail	**P17,280,518,878**	P22,211,135,127
Specialty retail	**1,345,231,596**	1,295,232,233
Real estate	**8,705,589,509**	8,519,401,217
Liquor	**2,007,081,725**	2,196,680,419
Holding, oil and mining	**8,754,960,995**	9,338,028,613
Total segment liabilities	**38,093,382,703**	43,560,477,609
Intercompany liabilities	**11,078,404,098**	11,928,517,709
Total liabilities	**P27,014,978,605**	P31,631,959,900

31. Basic/Diluted EPS Computation

Basic EPS is computed as follows:

	2017	2016
Net income attributable to equity holders of the Parent Company (a)	**P1,154,145,011**	P1,078,068,958
Weighted average number of ordinary shares (b)	**7,130,900,599**	7,139,703,570
Basic/Diluted EPS (a/b)	**P0.161851**	P0.150996

As at March 31, 2017 and December 31, 2016, the Group has no dilutive debt or equity instruments.

32. Financial Risk and Capital Management Objectives and Policies

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

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

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

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

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

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

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

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

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

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

	Note	2017	2016
Cash in banks and cash equivalents	*4*	**P5,029,031,792**	P11,759,821,352
Short-term investments	*5*	**921,838,148**	909,928,496
Receivables - net	*6*	**5,758,901,725**	6,805,704,418
Due from related parties	*26*	**185,743,101**	185,135,625
Investment in debt securities	*9*	**36,719,071**	1,918,335
Security deposits	*16*	**3,756,739,155**	1,531,843,159
		P15,688,972,992	P21,194,351,385

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

	March 31, 2017					
	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P5,029,031,792	P -	P -	P -	P -	P5,029,031,792
Short-term investments	921,830,140	-	-	-	-	921,838,148
Receivables - net	2,708,803,526.79	760,730,710.34	429,811,046.83	378,095,601.42	741,173,706.03	5,819,414,591.41
Due from related parties	185,743,101	-	-	-	-	185,743,1o1
Investment in debt securities	36,719,071	-	-	-	-	36,719,071
Security deposits	3,756,739,155	-	-	-	-	3,750,739,155
	P12,638,874,793.79	P760,730,710.34	P429,811,046.83	P378,895,601.42	P741,173,706.03	P14,949,486,858.41

	December 31, 2016					
	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P11,759,821,352	P -	P -	P -	P -	P11,759,821,352
Short-term investments	909,928,496	-	-	-	-	909,928,496
Receivables - net	4,354,925,336	789,553,313	372,604,945	1,288,620,824	134,839,272	6,940,543,690
Due from related parties	185,135,625	-	-	-	-	185,135,625
Investment in debt securities	1,918,335	-	-	-	-	1,918,335
Security deposits	1,531,843,159	-	-	-	-	1,531,843,159
	P18,743,572,302	P789,553,313	P372,604,945	P1,288,620,824	P134,839,272	P21,329,190,657

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

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

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

	As at March 31, 2017				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses[1]	**P6,924,223,119**	**P6,924,223,119**	**P6,924,223,119**	**P -**	**P -**
Short-term loans payable	**4,933,325,277**	**4,833,325,277**	**4,833,325,277**	-	-
Due to related parties	**938,350,296**	**638,350,296**	**638,350,296**	-	-
Long-term debt including current portion	**7,223,504,941**	**8,791,870,886**	**454,197,714**	**2,487,119,953**	**5,869,753,219**
Other current liabilities[2]	**474,727,642**	**474,727,642**	**474,727,642**	-	-
Noncurrent accrued rent	**2 977,826,084**	**2 977 826 084**	**50,065,136**	**358,656 334**	**2,569,104,614**
	P23,071,957,359	**P24,639,523,304**	**P13,374,889,184**	**P2,826,776,287**	**P8,438,857,833**

[1] *Excluding statutory payables to the government.*

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

	As at December 31, 2016				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses[1]	P11,185,860,180	P11,185,860,180	P11,185,860,180	P -	P -
Short-term loans payable	5,362,500,000	5,362,500,000	5,362,500,000	-	-
Due to related parties	890,334,673	690,334,673	690,334,673	-	-
Long-term debt including current portion	7,223,504,941	6,791,070,886	454,197,714	2,467,119,953	5,869,753,219
Other current liabilities[2]	352,812,725	352,812,725	352,812,725	-	-
Noncurrent accrued rent	3 002 201 559	3 002 201 559	41,708,695	313 703 286	2,646,789 578
	P27,817,214,076	P29,384,780,024	P18,087,413,987	P2,780,823,239	P8,516,542,797

[1] *Excluding statutory payables to the government.*

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

Interest Rate Risk

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

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

	Note	2017	2016
Financial assets			
Cash in banks	4	**P2,643,712,586**	P4,947,573,879
Money market placement	5	**2,385,319,206**	6,812,247,472
Short-term investments	4	**921,838,148**	909,928,496
		5,950,869,940	12,669,749,847
Financial Liability			
Notes payable		**12,057,350,211**	12,750,438,643
		P(6,106,480,271)	(P80,688,796)

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

Foreign Currency Risk

The Group's foreign currency risk at March 31, 2017 and December 31, 2016 pertains to its cash in bank which is denominated in US dollar.

The Group's foreign currency denominated assets as at March 31, 2017 and December 31, 2016 follow:

	As at March 31, 2017				
Currency	**Current Assets**	**Current Liabilities**	**Net Foreign Currency Liabilities**	**Exchang e Rate**	**PHP Equivalent**
USD	**2,790,926**	**6,751,862**	**(3,960,936)**	**49.72**	**(P196,937,738)**
EUR		**1,897,204**	**(1,897,204)**	**51.84**	**(98,351,055)**
SGD	**51,417**	**858**	**50,559**	**34.35**	**1,736,702**
	2,842,343	**8,649,924**	**(5,807,581)**		**(P293,552,092)**

	As at December 31, 2016				
Currency	Current Assets	Current Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	2,790,926	6,751,862	(3,960,936)	49.72	(P196,937,738)
EUR		1,897,204	(1,897,204)	51.84	(98,351,055)
SGD	51,417	858	50,559	34.35	1,736,702
	2,842,343	8,649,924	(5,807,581)		(P293,552,092)

Sensitivity Analysis

A 2% decrease in the foreign exchange rates, with all other variables held constant would have decreased the Group's income after tax and equity by P4.11 million and by P7.24 million as at December 31, 2016 and 2015, respectively. A 2% increase in the foreign exchange rates would have the equal but opposite effect, on the basis that all other variables remains constant.

The analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

Capital Management

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

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

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

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

33. Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at March 31, 2017 and December 31, 2016.

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

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

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

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

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

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

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

Short and Long-term Loans including Current Maturities

The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Carrying amounts approximate fair value.

Fair Value Hierarchy

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

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

As at March 31, 2017 and December 31, 2016, the Group's investment in trading securities and AFS were measured based on Level 1.

As at March 31, 2017 and December 31, 2016, the Group has no financial instruments valued based on Level 2 and 3 and has not introduced any movement among Levels 1, 2 and 3 classifications.

SIGNATURE

Pursuant to the requirements of the Securities and Regulation Code, the Issuer has duly caused this First Quarter Financial Statements of Cosco Capital, Inc. and its subsidiaries for the year 2017 to be signed on its behalf by the undersigned thereunto duly authorized.

May 12, 2017 in the City of Manila.

COSCO CAPITAL, INC.

By:

LEONARDO B. DAYAO
President

TEODORO A. POLINGA
Comptroller