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

April 13, 2015

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

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

Ms. Trixie Posadas
SEC Examiner

Philippine Stock Exchange
Ayala Tower, Ayala Avenue
Makati City

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

Subject: **SEC 17-A ANNUAL REPORT FOR CY 2014**

GENTLEMEN:

Please see attached SEC 17-A Annual Report of Cosco Capital, Inc. as of December 31, 2014 with Audited Financial Statements and Annual Corporate Governance Report.

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)

900 ROMUALDEZ ST., PACO MANILA

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

ATTY. CANDY DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

1 2 | 3 1

Month | Day

SEC FORM 17-A

(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

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SEC
Electronic Records Management Division
APR 15 2015
BY:
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: December 31, 2014

2. SEC Identification Number: 147669

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

4. Exact name of issuer 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 principal office:

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

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

(632) 524-9236 or 38

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

ALCORN GOLD RESOURCES CORPORATION

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	7,405,263,564
Debt	4,960,367,417

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. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes[/] No [ ]

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

Yes [/] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

DOCUMENTS INCORPORATED BY REFERENCE

14. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

Annex "A" - Management Discussion, Analysis and Plan of Operations;

Annex "B" - Consolidated Audited Financial Statements;

Annex "C" - Supplementary Schedules

Annex "D" - Annual Corporate Governance Report

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PART I BUSINESS AND GENERAL INFORMATION

Item 1 Business

(1) Company Background

Cosco Capital, Inc. (formerly Alcorn Gold Resources Corporation) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 19, 1988 with the primary purpose of engaging in exploration, development and production of oil and gas and metallic and nonmetallic reserves in partnership with other companies or in its individual capacity.

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

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

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

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

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

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

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

On July 5, 2013, SEC approved the registration of Alcorn Petroleum and Minerals Corporation, a wholly-owned subsidiary of Cosco Capital, Inc. The Company was organized to pursue exploration and development of Cosco's interests in oil and mining business activities

(2) Business of Issuer

COSCO CAPITAL, INC., as a holding company, has a current portfolio of business interests in the following businesses:

Retail

PUREGOLD PRICE CLUB, INC. was introduced in 1998 with its first Puregold hypermarket store operating in Mandaluyong city. Together with the continued expansion, in 2001, Puregold launched a loyalty program. This program was then renamed as Tindahan ni Aling Puring in 2004. Between 2002 and 2006, an average of three new stores was opened every year and operations were expanded in North and South Luzon.

In 2009, Puregold Supermarket Jr. was introduced as a store format in a smaller space that carries a complete range of domestic needs. Establishing its leadership by 2010, Puregold has become the second largest hypermarket and supermarket retailer in the country in terms of net sales. In the same year, a much smaller format named Puregold Extra was launched. This quickly accelerated the group's geographic expansion.

Roll out of new, organic Puregold stores, as well as further acquisitions, brought about rapid expansion in 2011 and 2012, as s total of 69 new Puregold stores were opened. The Company also acquired Parco supermarkets which had 19 stores at the time.

On January 14, 2013, Puregold opened new stores and acquired Company E, which on its own had 15 stores. The new stores and acquisitions contributed to efforts to further penetrate the target markets.

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

The Company conducts its operations primarily through a hypermarket format known as "Puregold Price Club". These hypermarkets are mostly located in major commercial centers and near transportation hubs. Puregold Price Club offers a broad variety of food and non-food products, and generally caters to both retail customers and resellers such as members of the Company's pioneering Tindahan ni AlingPuring ("TNAP") loyalty/marketing program. The average net selling space of the Company's hypermarket is 3,000 square meters. Each hypermarket offers 30,000 to 50,000 stock-keeping units (SKU).

The Company has a supermarket chain known as "Puregold Junior", operated by its wholly-owned subsidiary, Puregold Junior Supermarket, Inc. In June 2010, Puregold Junior Supermarket, Inc. became a subsidiary of the Company as part of a reorganization of companies owned and controlled by the Co Family. The Company's supermarkets are mostly located in residential areas and offer a higher proportion of food to non-food products vis-a-vis the Company's hypermarkets. The supermarkets have a store layout similar to the Company's hypermarkets but on a smaller scale. Puregold Junior stores generally cater to retail consumers. The average net selling space of the Puregold Junior supermarkets is around 900 square meters. SKUs of product assortment ranges from 8,000 to 10,000.

"Puregold Extra" is the Company's small store format which offers a more limited number of goods, comprising the Company's top-selling SKUs ranging from 1,500 to 2,000. The average net selling space of these stores is 400 square meters.

S&R MEMBERSHIP SHOPPING started operations with 4 locations in Metro Manila in 2006. It opened its Cebu warehouse in November 2010, Pampanga warehouse in November 2011, Davao warehouse in May 2013, Mandaluyong warehouse in November 2013 and Imus warehouse in December 2014. It is the only retailer in the Philippines with a membership shopping concept. S&R has adopted a warehouse club concept where most of the products offered are in club packs. Majority of the merchandise are imported brand names mostly sourced from the United States. Currently, S&R is the biggest reseller of imported quality products at very competitive prices.

Real Estate and Property Leasing

ELLIMAC PRIME HOLDINGS, INC. is the flagship of the real estate group of Cosco Capital, Inc. The company came about after the merging of four (4) other property companies in December 2012, PILGOR Development Services Corporation, 514 Shaw Property Holdings Inc., Cosco Prime Holdings Inc. and Pajusco Realty Corporation.

It currently owns a portfolio of thirty one (31) properties strategically located in the more prominent area of Metro Manila reaching out to adjacent nearby Luzon provinces. Among these, twenty (20) are operating as commercial retail buildings, and five (5) are on long-term lease arrangements with Puregold Price Club, Inc. On the other hand, the remaining two (2) properties are in the stage of planning and development.

The commercial retail buildings of Ellimac are also being leased out mostly by prominent retail tenants that support the retail customers of Puregold Price Club, Inc. One of the recently completed and launched properties of Ellimac is "The Fairview Terraces". The Fairview Terraces is the second commercial shopping complex that was co-developed with Ayala Land, Inc. and it is located in the prime commercial area of Quezon City. The Fairview Terraces houses an extensive mix of foreign and local brands, offering an array of dining and shopping experience for families and professionals.

Ellimac's bold strategic plan to develop more commercial community mall properties in the years ahead will put the real estate group in the industry map, making it one of the pillars and growth drivers of Cosco Capital, Inc.

FERTUNA HOLDING CORPORATION is considered to be the stronghold of Cosco Capital Inc., in Central Luzon. Fertuna together with Ayala Land Inc. co-developed a commercial retail complex called Harbor Point. This new development is situated in the heart and bustling economic hub of Subic Bay Freeport Zone. Harbor Point opened in September 2012, where Puregold Supermarket became its anchor tenant.

Fertuna's Harbor Point Mall lies within the eco-friendly environment of Subic Bay. The 6.5 hectare mall development is a registered Subic Bay Freeport Enterprise operating in the Freeport Zone. Fertuna is governed by the rules and regulations of the Subic Bay Metropolitan Authority (SBMA) under Republic Act 7277, making it entitled to tax and duty-free importation of certain items. This became a shopping destination in Central Luzon.

With the establishment of Harbor Point, Cosco Capital Inc. strengthens its position as ringleader in the real estate arena. The Fertuna group will continue to be on the rise, with the coming developments and future ventures it has in the pipeline.

PATAGONIA HOLDINGS CORP. as Cosco's rising force in the Bonifacio Global City acquired seven (7) parcels of land summing a total land area of 1.3 hectares. The strategic location of the property in the growing business district is a promising investment venture for the company. Patagonia Holdings Corporation took the opportunity to have S&R Membership Shopping operate a retail outlet in its property since 2000. The viable location of the land worked to their advantage. It became accessible to patrons and consumers. It became a steady market for S&R's retail outlet.

The premium property of Patagonia Holdings Corporation attests that it is a decent venture that entrepreneurs and investors can capitalize on.

NATION REALTY, INC. The phenomenal success of the retail arm of Cosco Capital Inc. prompted the company to explore other promising facets of the business. It entered the course of mall development and established the 999 shopping mall in the heart of Binondo, Manila. The 999 mall became a dominant key player in the retail shopping division. It was positioned as a specialty mall-a modern approach to flea market or tiangge. A number of individual stalls lie within the mall where any array of merchandise, mostly from the Mainland China could be found. The 999 shopping mall is the shopping hub for Filipino shoppers and resellers who want to purchase good quality items at low prices.

The 999 shopping mall has two (2) developments. The first development is a four storey building that measure 31, 931 square meters gross floor area. Building #1 was constructed and completed in 2011. On the other hand, the second phase of the 999 shopping mall is a seven storey building with a gross floor area of 84,292 square meters. The completion of Building #2 of the 999 shopping mall was completed by Nation Realty Inc. in 2012.

At the rate where 999 shopping mall is heading, Nation Realty Inc. will remain to be on the top of its game. It's bound to take 999 Shopping Mall to an entire new level of development and advancement.

118 HOLDINGS, INC. was established in November 2008. It presently owns 32,427 square meters of land in Subangdaku, Mandaue, Cebu, of which 25, 253 square meters are currently being leased by S&R Membership Shopping.

In September 2011, the company acquired a 12, 464 square meters parcel of and in Imus, Cavite. A one-storey retail structure has been built on the property and now houses over 40 tenants with Puregold price Club Inc. as its primary lessee.

NE PACIFIC SHOPPING CENTERS CORPORATION, which owns and operates the NE Pacific Mall, was acquired by Cosco Capital, Inc. in March 2014. NE Pacific Mall, is considered to be the ultimate shopping and family entertainment destination in the province of Nueva Ecija. It is located at km. 111 Maharlika Highway, Cabanatuan City, Nueva Ecija. The 10-hectare parcel of land where the shopping center is built has a total gross floor area of more than 35,000 square meters. The mall has leasable spaces for different brands and establishments and houses a line of tenants such as the supermarket, department store, hardware andappliance centers, restaurants and many others. One of the key tenants of the mall is the Puregold Price Club, Inc. This one stop shopping haven not only provides a unique shopping experience for the family but also brings great value for their money.

The addition of NE Pacific Mall in the portfolio of Cosco Capita, Inc. will strengthen the real estate arm of the group. Cosco's venture into the mall development reflects its business dynamism. The new phase will be an avenue for the company to build and grow stronger markets, an opportunity to establish a name in the game of mall development.

PURE PETROLEUM CORP. (PPC) is a Fuel Terminal facility constructed in 2009 and operated on December 2012. It currently operates a tank farm of 9 fuel storage tanks with a total capacity of 90 Million liters and a 350 KL CME storage tank. The terminal also operates jetty facilities for bulk loading and unloading, two units' morring buoy, water storage tank for fire protection and maintenance as well as truck loading rack.

It has adapted the best practices of the oil industry, applicable policies and procedures to ensure safe and efficient operation.

PPC stands by its corporate policy which commits to manage its business according to these principles:

- Operate our facilities and handle petroleum products in a manner that protects the environment, safety and health of our employees and the public.
- Make safety, health and environmental considerations a priority in our planning and development of processes.
- Economically develop systems that will use energy efficiently.
- Counsel customers, transporters and others in the safe use, transportation and disposal of petroleum products and waste materials.

Liquor Distribution

MONTOSCO INC. is a liquor importing and distributing company that boasts of having a portfolio of high quality brands that has made significant inroads both in the premium imported brandy and wine industry. One that complements its achievement is the underlying strength of the company in maintaining its high standards in the production of brandy and wines, while on the other hand its success is also built on the knowledge, skills and efforts made by each member of the dynamic team.

Montosco's products cover all levels of imported brandies and wines from the most affordable brands to the premium quality labels. With the collaboration of sales & effective merchandising, the company offers exceptional products at good value for its customers. It further aims to do more than just selling but to partner with customers in helping them to achieve their business goals through the placement of important brands and giving them quality products.

The company is constantly expanding and will continue to explore new resources that are cost effective to keep up with the demands of its customers. Given its valuable partnerships internationally and locally, Montosco Inc. is destined to become a name to reckon in the liquor industry.

Montosco is the exclusive Philippine distributor of Spanish brands Alfonso Brandy and Vino Fontana. The list also includes leading international brands Bailey Cream Liqueur, Patron Tequila and Jack Daniels Whiskey.

Wines produce by Spanish Vinter Williams and Jumbert are also exclusively distributed by the Company.

Part of its portfolio is the Spanish brand Excelente, Montosco's initial venture into middle-market segment.

MERITUS PRIME DISTRBUTIONS INC. became the exclusive Philippine distributor of Beam Global Spirits & Wine on March 2010. The company also became the exclusive domestic distributor of a famous imported brand in Spain, the Fundador Brandy.

It is currently a significant supplier in the Domestic and Duty Free businesses in terms of volume and value.

With its continuous expansion, the Company included products in the Premium Wine category, making its portfolio even more extensive. Several notable international wine Brand Owners are the company's partners. These brands include the Treasury Wine Estates, the world's #1 listed wine company and South Africa's DGB.

Meritus also carries key whiskey brands from Beam International, Jim Beam and Makers Mark.

PREMIER WINE AND SPIRITS, INC. (Premier) was established in 1996. It is engaged in the sales, distribution and marketing of imported wine, spirits, beer and specialty beverage brands. Premier has a national distribution network covering all channels of the industry that is on premise, off premise, provincial and travel retail. This network is run by a seasoned team of sales people and supported by merchandisers and promo girls. Premier has in its portfolio some of the world's leading brands managed by a group of dedicated marketing people.

As the exclusive Philippine distributor of world-renowned brands like Chivas Regal Scotch Whiskey, Glenlivet Scotch, Martel Cognac, Absolut Vodka, Jose Cuervo Tequila and Jageermeister, among others. It also caries brands from Gruppo Campari, Heaven Hill and Distell and Osborne.

On the wine side, it has Mompo, the country's favourite mass wine, wolf Blass, Ruffino Marquez de Riscal and Vina Santa Carolina, which are among the leading wine companies in their respective countries of origin.

OIL & Mining

Alcorn Petroleum and Minerals Corporation (APMC) was organized on July 5, 2013 as a wholly-owned subsidiary of Cosco Capital, Inc. to pursue exploration and development of Cosco's interests in oil and mining business activities. On June 11, 2014, a Deed of Assignment was executed by and between Cosco and APMC formalizing the transfer of Cosco's oil and mining interests to APMC subject to the approval of the Department of Energy.

The oil and mining interests include a portfolio of participating interests in petroleum exploration and extraction activities in Palawan area and Eastern Visayas region. It is also, at present, implementing with Vale Exploration Philippines, a subsidiary of Brazilian Mining Company, an Option to Purchase Agreement covering copper and gold mining claims in the town of Concepcion, province of Iloilo.

Vale assumed exploration activities in said mining claims. A favorable result of these exploration activities will lead to progressive steps toward further development of this mining asset.

Specialty Retail

LIQUIGAZ PHILIPPINE CORPORATION was established in 1995 and was wholly owned subsidiary of SHV Netherlands. In July 2014, Cosco Capital, Inc. acquired 100% ownership interest in Liquigaz through a subsidiary, Canaria Holdings Corp.

The company ranks as the second biggest LPG supplier in the Philippines. It currently holds more than 30% market share.

Liquigaz's main import terminal is located in Mariveles Bataan. Bataan Terminal has a 12,500 MT capacity which makes it the biggest LPG import facility in the Philippines.

There are five business segments in liquigaz, namely:

1. Wholesale Business - caters to independent refillers as well as major players
2. Autogas Business - caters to independent retailers and offers fleet card to company auto- lpg fleets
3. Cylinder Business - caters to LPG cylinder dealers
4. Industrial Business - serves manufacturing industries i.e Food, Ceramics, Automotive
5. Commercial Business - serves the LPG requirements of fast-food chains, hotels and mall

OFFICE WAREHOUSE, INC. has been a provider and partner consultant of small and medium enterprises since 1998 when it comes to quality, cost efficient and value adding office solutions.

Office Warehouse offers office and school supplies, furniture and a wide range of technology products suited for everyday office needs at the lowest price possible. True to its best-selling proposition of "Cost-cutting starts here", Office Warehouse saves the customer's time, money and energy, so they can focus on running their business in a more cost-efficient way.

With 48 outlets and counting, Office Warehouse is located in major business districts in Metro Manila, Rizal, Cavite and Laguna a few Luzon-based provincial outlets. The company's headquarters is in Quezon City.

(3) Products

Grocery Retail

The grocery retail segment offers a wide-range of imported and local groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) held for sale in the ordinary course of business on wholesale and retail bases.

Puregold announced its partnership with Lawson, Inc. and Lawson Asia Pacific, Inc. on June 12, 2014. Puregold and Lawson intend to build and operate a series of convenient stores all over the Philippines. The parties' investment share is 70% Puregold and 30% Lawson.

Liquor Distribution

This Company's segment maintains a diversified portfolio of premium imported alcoholic beverages, ranging from brandy, rum, whisky, tequila, liqueurs, wines and specialty non-alcoholic beverages.

Specialty Retail

Liquigaz offers and distributes on wholesale basis Liquefied Petroleum Gas (LPG). Office Warehouse offers a wide-range of office and school supplies, furniture and technology products suited for everyday office needs at the lowest price possible.

(4) Competition

Retail

Competition in Retail segment includes those of SM Supermarkets, Savemore, SM Hypermarkets, Puregold, Shopwise/Rustan's, Robinsons, and Walter-Mart are among the top and dominant market participants in the retail sector among the hypermarket, supermarket, neighborhood store, and cash & carry formats. In 2012, Rustan's Supercenter forged partnership with Dairy Farm, Wellcome Supermarket of Hongkong.

Store Specialists, also part of the Rustan's Group of Companies, in partnership with Ayala got the franchise to operate Family Mart of Japan in the Philippines. The combined stores of SM are the industry lead, whereas, Puregold is a strong and close second.

Real Estate and Property Leasing

Competition in this segment include SM Supermarkets, Savemore, Robinsons, and Waltermart for those buildings that house the Puregold Supermarkets and other tenants like Jollibee, Abenson, Lukfoo International Cuisine and others. For its specialty mall-999 Shopping mall, competitors would be 168 Mall, 1188 Mall, 568 Mall, City Place, and Tutuban Mall which are situated in Divisoria.

Liquor Distribution

Competition in this segment includes the distributors of Moet Hennesy, Remy Martin, and Bacardi Matini. The segment caters to the market of the imported and premium segment of liquor and wines. As such, the segment is not directly competing with the local brands.

Oil & Mining

Competition in the oil and mining sector. The Company in its mining business is selling its produced Hydrocarbon through Consortium Operations in a market dominated by sellers, which is characterized by bottomless thirst for petroleum products. Hence, all petroleum products generated by Petroleum Operations is immediately absorbed by the market via petroleum sales contract, in this particular year, petroleum products are sold to Shell Philippines. We do not expect competition at the present and in the future time because of excessive needs and scarcity of local supply.

Specialty Retail

Competition for the Company's Office Warehouse, Inc. include those in technology, office and school supplies and office furniture: Silicon Valley, Villman, PCExpress, Octagon Computer Superstore, Complink, National Bookstore, Shopwise, Power Books, Fully Booked, The SM store, Robinsons Department store, Blims fine furniture, Divisoria and the Black market.

For Liquigaz Philippine Corporation, competition include those of Petron, Pryce, Petronas, Total, Shell, Isla and others.

(5) Suppliers

The Company has a broad range of suppliers including local and foreign.

(6) Dependence upon Single or Few Suppliers or Customers

Retail

The Retail segment believes that its business as a whole is not dependent on any single supplier. Further, the segment is not reliant on a single or few customers but to the buying public in general. The Retail segment's stores target customers who live within walking distance of its stores and those who use personal or public transport to shop. The Retail segment provides suitable car parking facilities to accommodate customers who travel to stores by car, and also locates its stores in areas close to main transportation hubs. The Retail segment also offers delivery services to resellers who are unable to travel to the segment's stores.

Liquor Distribution

The Company serves wide range of customers including distributors, supermarkets, hotels and restaurant chains.

(7) Transactions with Related Parties

The Retail business leases some of the buildings from its related parties in the real estate business segment 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.

The Liquor segment distributes wines and spirits to the retail business segment transacted at arms-length and at market rates/prices.

Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties. The terms under which the Group binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Group uses the terms and provisions it has in place for similar contracts with unrelated third parties as a benchmark for its agreements with related parties. (For more detailed information please refer to the related party transactions as disclosed in the Audited Financial Statements for the Year 2014)

(8) Trademarks

The Company is a party to a trademark Licensing Agreement with Mr. Lucio Co, under which Mr. Co licenses the use of tradenames and trademarks related to the "Puregold" brand. The Company pays Mr. Co royalty fees of 1/20 of 1% of the Company's net sales for the use of the tradenames and trademarks. This Licensing Agreement is for a period of 30 years, and is exclusive.

Consequently, during the term of the Licensing Agreement, Mr. Co cannot license the tradenames and trademarks under this agreement except to Puregold Junior and the Licensed Affiliates. None of the tradenames and trademarks can also be transferred by Mr. Lucio Co. A list of the tradenames and trademarks subject of the Licensing Agreement is set out below.

TRADENAMES		TRADEMARKS	
Puregold	Puregold Jr.	Aling Puring	Puregold Junior
Puregold Price Club	Puregold Bulilit	Puregold	Puregold Price Club
Puregold Choice	Puregold Suki	Puregold Exclusives	Puregold Choice
Puregold Extra	Barangay Puregold	Puregold Express	Barangay Puregold
Puregold Jackpot	Puregold Exclusives	Puregold Jackpot	Puregold Bulilit
Puregold Junior		Puregold Jr.	Puregold Suki

(9) Government Approvals

The Company and its subsidiaries has obtained all permits, licenses and approvals from national and local government units and other government agencies to conduct its operations.

(10) Effect of existing governmental regulations

The Company and its subsidiaries have no knowledge of recent or probable government regulation that may have material adverse effect on the business operation or financial position of the Company and its subsidiaries.

(11) Cost and Effect of Compliance with Environmental Laws

The Company estimates its annual cost for maintaining and renewing ECC and other environmental permits.

(12) Employees

As at December 31, 2014, the Company has approximately 5,413 employees. The total workforce of the Group follows:

Retail – 4,723
Liquor Distribution - 104
Real Estate – 124
Specialty Retail - 544
Parent and Mining - 22

(13) Major risks

Sourcing

Suppliers play an active role in the market. Supply disruptions or unreliable suppliers who fail to deliver the needs of the Company will delay or fail the operations of the Company.

To mitigate this risk, the Company intends to continue transacting with only trustworthy and established business partners. Also, the Company has a wide-range of suppliers to ensure that customer needs will be delivered.

Regulation and compliance

Decisions and changes in the legal and regulatory environment in the domestic market could limit the Company's business activities or increase its operating costs. Modifications of regulations or taxes may adversely affect the operations of the Company.

The Company has compliance committee who oversees memoranda or protocols from regulating bodies and ensures Company's compliance to these regulations.

As liquor is considered as health hazard when taken in excess, possible risk would be issuance of regulation like ban to alcohol drinking, and curfew either or both from the national or local government. We see this risk as remote however.

Oil exploration projects are under the supervision of the Philippine government's Department of Energy. Changes in policies or regulations or legislative and fiscal framework governing these activities may have a material impact on the exploration and development activities of the companies in these sectors. Also, changes in regulations may affect the Company's operation. Also, changes in regulations may affect the Company's operations and may increase its cost of doing business.

Upon the lapse of approval from regulatory authorities, there is no guarantee that these will be renewed or renewed under the terms acceptable to the Company. The Company ensures that the approvals and permits are valid by monitoring very well its validity period, compliance with the governmental regulations, constant communication with the authorities and updating itself with the new laws and regulations.

Environment risk

Environment risk for the Restate Estate business includes the effect of the climate change like flooding, erosion and other unforeseen calamity that might affect the real estate properties. The Company mitigates this risk by carefully selecting the sites. There is a group within the Company that conducts research and study in sire selection including the environmental factors.

The business of oil exploration and development carry environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions as well as existing Philippine laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil operations. A company's compliance with such legislation, including health and safety laws, can involve significant costs and expenses and any breach in these laws may result in the imposition of fines and penalties, the amounts of which could be material. There can be no assurance that environmental laws will not result in an increase in exploration and development costs or the curtailment of operations which could adversely affect the results of operations and financial condition as well as its prospects.

Market Risk

a) Competitor risk

The Company's grocery retailing businesses are highly competitive. The intensity of the competition in Philippines retail industry varies from region to region. Some of the major competitors considered by the Company are the SM malls, supermarkets and hypermarkets, Robinson's Supermarkets and Rustan's Supercenters. Competition includes product selection, product quality, and customer service and store locations.

The Company performs market research to locate areas that will maximize market coverage and penetrate its targeted customers. This careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

For its specialty mall-999 Shopping Mall, competition is fairly manageable. The Mall is strategically located in Divisoria and very accessible. The risk of low occupancy is remote. The Company maintains a group that specialize in marketing, handling and communicating with the tenants which are mostly those retailers from Mainland China.

As our business caters to the market of the imported and premium segment of liquor and wines, we see no significant risk. It has its own market niche and does not directly competing with the local brands.

b) Supply risk

A shortage in the supplies and the volatility in its price may adversely affect the operations and financial performance of the Company.

The Company addresses this risk by regularly monitoring its inventories and ensuring that the inventory is always at its optimum level. The Company continuously gathers wide range of suppliers to ascertain that its supplies are filled through the year.

c) Credit risk

The Company's fast-paced operation requires them to be liquid throughout the year. Failure of the Company to collect their receivables on time will prevent them from paying their suppliers on time and eventually slackening their operations.

The Company maintains a credit and collection policy ensuring that receivables are collected on time.

d) Pricing pressure

Country's economic condition and market competition are main drivers of this risk. Any adverse change in the economic environment of the Philippines may affect the purchasing power of consumers and unfavorably affect the Company's results. Low-growth consumer market means a low-demand growth and low turnover for the Company. The entry of new competitors triggers price war among companies as they intend to dominate the market.

The Company's continuous expansion helps mitigate this risk. The Company's increase in revenue will allow the Company to develop better pricing strategies. Pricing strategies are constantly reviewed to remain competitive and to attract or retain customers. Also, unnecessary costs or expenses are to be avoided by reviewing the supply chain management and eliminating non-value adding activities which will allow the Company to offer lower prices.

Item 2 Properties

The Company, under its retail segment, owns the following properties:

Parcel of lands with aggregate area of 33,575.57 sq meters

1. Rizal St., Barangay 1, Calamba City, Laguna
2. Lot 1862-B-1, Calicanto, Batangas City
3. Canlubang, Calamba Laguna
4. Barrio of Batong-Malaki, Municipality of Los Banos, Province of Laguna
5. Bo. Of San Pedro, Mun of Magalang Prov. Of Pampanga
6. Lot 6-G Block 180 and Lot 6-H Block 180 Mabuhay City, Cabuyao Commercial Complex, Cabuyao, laguna
7. Brgy. Mamatid, Cabuyao, Laguna
8. J.Zamora St., Pandacan Manila
9. San Francisco, San Pablo City, Laguna
10. Brgy. Balibago, Municipality of Sta. Rosa, Province of Laguna

Thirty- five (35) buildings with aggregate area of 210,783.02 sq meters

1. Poblacion II, Tiaong Quezon City
2. Brgy. Balibago, Municipality of Sta. Rosa, Province of Laguna
3. Barangay Sto.Niño, Parañaque City
4. J.P. Rizal, Makati City
5. Commonwealth Avenue & Luzon Avenue, Quezon City
6. No. 3225 F. Roxas Street, Sta. Ana, Manila
7. Km 42 Mc Arthur Hi-Way Bulihan City of Malolos Bulacan
8. Zabarte and Susano Streets, Kalookan City

9. San Mateo, Rizal
10. Governor's Drive San Gabriel GMA Cavite
11. 3614 R. Magsaysay Blvd. Sta. Mesa Manila
12. Colago Ave. Brgy. San Roque, San Pablo city
13. Brgy. Panapaan, Bacoor, Cavite
14. Mindanao Ave. Quezon City
15. Commonwealth Ave., Fairview Quezon City
16. Angel Linao St., Paco Manila
17. Brgy. Sanja-Mayor, Tanza Cavite
18. Sta. Maria Bulacan
19. Barrio Pico, La Trinidad Bemguet
20. Montalban, Rizal
21. Barrio of Lumang Sagad & Sto. Domingo, Municipality of Cainta, Province of Rizal
22. Poblacion Vigan, Ilocos Sur
23. Brgy. Camilmil, Calapan City, Oriental Mindoro
24. National Road, Brgy. Magdiwang, Municipality of Noveleta, cavite
25. Paseo Del CongresoStreet corner PNR Road, Guinhawa Malolos Bulacan
26. Barangay Tagapo, Sta Rosa City Laguna
27. Poblacion, Municipality of Tanay, province of Rizal
28. 250 M.L. Quezon Street, Hagonoy, Taguig City
29. Gen.Luna St corner D.P. Laygo and H. La Torre Sts., Lipa City Batangas
30. Lapasan, Cagayan De Oro City
31. España cor. Dela Fuente St., Sampaloc, Manila
32. Ramon Magsaysay Blvd., Sampaloc, Manila
33. Mc Arthur Highway, San Fernando, Pampanga
34. Gen. Ordonez St., Brgy. Concepcion I, Marikina City
35. M.L. Quezon Avenue, Brgy. San Isidro, Angono, Rizal

Puregold Price Club, Inc. leasing the following 34 parcel of land with aggregate area of 207,536.02 sq meters

1 Barangay Sto.Niño, Parañaque City
2 J.P. Rizal, Makati City
3 Commonwealth Avenue & Luzon Avenue, Quezon City
4 No. 3225 F. Roxas Street, Sta. Ana, Manila
5 Km 42 Mc Arthur Hi-Way Bulihan City of Malolos Bulacan
6 Zabarte and Susano Streets, Kalookan City
7 Barangay Nangka, San Mateo, Rizal
8 Governor's Drive San Gabriel GMA Cavite
9 3614 R. Magsaysay Blvd. Sta. Mesa Manila
10 Colago Ave. Brgy. San Roque, San Pablo City
11 Brgy. Panapaan, Bacoor, Cavite
12 Mindanao Ave. Quezon City
13 Commonwealth Ave. , Fairview Quezon city
14 Angel Linao St., Paco Manila
15 Brgy. Sanja-Mayor, Tanza Cavite
16 Sta. Maria Bulacan
17 Barrio Pico, La Trinidad Bemguet
18 Montalban, Rizal

19 Poblacion II, Tiaong Quezon City
20 Barrio of Lumang Sagad & Sto. Domingo, Municipality of Cainta, Province of Rizal
21 Poblacion Vigan, Ilocos Sur
22 Brgy. Camilmil, Calapan City, Oriental Mindoro
23 National Road, Brgy. Magdiwang, Municipality of Noveleta, Cavite
24 Paseo Del CongresoStreet corner PNR Road, Guinhawa Malolos Bulacan
25 Barangay Tagapo, Sta Rosa City Laguna
26 Poblacion, Municipality of Tanay, Province of Rizal
27 250 M.L. Quezon Street, Hagonoy, Taguig City
28 Gen.Luna St corner D.P. Laygo and H. La Torre Sts., Lipa City Batangas
29 Lapasan, Cagayan De Oro City
30 España cor. Dela Fuente St., Sampaloc, Manila
31 Ramon Magsaysay Blvd., Sampaloc, Manila
32 Mc Arthur Highway, San Fernando, Pampanga
33 Gen. Ordonez St., Brgy. Concepcion I, Marikina City
34 M.L. Quezon Avenue, Brgy. San Isidro, Angono, Rizal

Puregold Price Club, Inc. leases the following 176 buildings wth aggregate area of 479,978.37 sq meters

1. 312 Shaw Blvd Pleasant Hills Mandaluyong City
2. Tayuman Corner Juan Luna St. Tondo Manila
3. Mc Arthur Highway, Brgy. Dau, Mabalacat, Pampanga
4. Km 14 419 Mc Arthur Hi-Way Dalandanan Valenzuela City
5. Barangay Talon, Las Piñas
6. Lower & Upper Ground Floor FRC Mall Aguinaldo Hi-Way Palico 3 Imus Cavite
7. M. Concepcion Avenue,San Joaquin, Pasig City
8. Pavillion Mall, Biñan, Laguna
9. G. Araneta Ave., Cubao, Quezon City
10. San Andres cor. L.M. Guerrero St., Malate, Manila
11. 2410-2433 Taft Avenue Pasay City
12. Dr. A Santos Avenue San Isidro Paranaque City
13. Benigno S. Aquino Avenue, Brgy. Nayon, Baliuag, Bulacan
14. E. Rodriguez Avenue corner G. Arenata Avenue, Quezon City
15. Cosco Bldg, Avenida R.G. Tanchoco, Brgy San Juan corner National Highway, Taytay Rizal
16. Km. 18 McArthur Highway, Banga, Meycauyan, Bulacan
17. N.Domingo and Blumentritt Sts., San Juan City
18. #300 Samson Road, Monumento, Caloocan City
19. Brgy. Victorial Village, Legaspi Albay
20. El Molito Commercial Complex Mad Avenue Corner Zapote Road Muntinlupa City
21. Felix Avenue Corner Marcos Highway San Isidro Cainta Rizal
22. No. 747 Claro M. Recto Avenue corner Dagupan Street., Divisoria Manila
23. 1018 Quirino Highway, Novaliches Quezon City
24. Royal Family Mall, Paso de Blas Road corner East Service Road, North Expressway, Malinta, Valenzuela City
25. Asin corner Naguilan Road, Baguio City
26. San Nicolas, Angeles, Pampanga
27. Lot No. 1631-C-9, Lot No. 1631-C-4 Mac Arthur Hi-Way San Vicente Apalit Pampanga

28. Gen. Luna St., Brgy Tuktukan, Taguig City
29. Brgy. Halang,Calamba, Laguna
30. C. RaymundoAve. Cor. Legaspi St., Brgy. Raymundo, Pasig City
31. Brgy. Tabang Guiguinto, Bulacan
32. Lt 1 Women's Club St., Hulong Duhat, Malabon City
33. 27 Susano Road Brgy. Nova Proper Novaliches Quezon City
34. Brgy. Baesa,Tandang Sora, Quezon City
35. A Bonifacio Avenue Brgy. Balingasa Quezon City
36. Banlic, Cabuyao, Laguna
37. Barangay Triangulo, Naga City
38. Barrio of Sto.Domingo, Capas, Tarlac
39. Barangay Masin, Candelaria, Quezon
40. Golden Ave., Golden City Village, Dila Sta Rosa, Laguna
41. L. Avelino St., corner B. Monserrat St., BF Homes Commercial Center,Parañaque City
42. Maharlika Highway, Cabanatuan City
43. Brgy. Biñan, Pagsanjan Laguna
44. San Jose Del Monte Province of Bulacan
45. Presidio, Muntinlupa City
46. Brgy.San Vicente,San Pedro Laguna
47. Putatan, Muntinlupa City
48. Olongapo-Gapan Road, Bgry Plazang Luma, Arayat, Pampanga
49. Barrio of Sto. Niño, Municipality of Hagonoy, Province of Bulacan
50. Cainta Junction, Ortigas Avenue Extension, Brgy. Sto. Domingo, Cainta, Rizal
51. Brgy. Sto. Domingo, Municipality of Cainta, Province of Rizal
52. Osmeña Highway corner San Andres and G. Del Pilar Streets, Sta Ana Manila
53. Osmeña Highway corner San Andres and G. Del Pilar Streets, Sta Ana Manila
54. Molino, Bacoor, Cavite
55. Centro Roxas Isabela
56. San Fermin, Cauayan Isabela
57. San Fernando City, La Union
58. National Highway, Puerto Princesa City, Palawan
59. Brgy San Agustin, San Fernando City, Pampanga
60. G. Del Pilar St., Parang, Marikina
61. Manggahan, Gen. Trias, Cavite
62. City of San Pablo Laguna
63. 88 Gonzaga St., Brgy. Centro IV Tuguegarao City, Cagayan
64. Anabu Imus, Cavite
65. Claro M. Recto Avenue, Manila
66. Quirino Ave.& Evangelista St. Baclaran Pque City
67. Brgy. San Roque, Antipolo Rizal
68. 8007 Pioneer St. Pasig City
69. Rizal Avenue and F.L. Dy Street Barangay District II, Cauayan City, Isabela
70. Brgy. Dulong Bayan II, San Mateo, Rizal
71. Brgy. Palawit, Municipality of Gen. Trias
72. Malvar corner Knights of Rizal Streets, Tubigan, Biñan, Laguna
73. Poblacion Tres, Wilson St. Cabuyao Laguna
74. Barangay Bunsaran, Pandi, Bulacan
75. Mc Arthur Highway corner F. Tañedo Street, Matatalaib Tarlac City
76. Bo. Of Iba and Camalig, Mun. Of Meycauayan, Province of Bulacan
77. Emilio Aguinaldo Highway corner Congressional Ave., Dasmariñas, Cavite
78. Gov. Santiago St., cor. St. Jude, corner St. Joseph St., Malinta, Valenzuela City.

79. Sta.Cruz, Lubao, Pampanga
80. Quirino Highway, Brgy Sta Monica, Novaliches, Quezon City
81. Brgy. San Pedro Angono Rizal
82. General Luna Street, Naga City
83. Capitol Drive corner Zulueta st., Poblacion, Balanga Bataan
84. M.H. Del Pilar Ancheta and C. Santos Streets Brgy. Poblacion, Tarlac City\
85. McArthur Highway, Calvario, Meycauayan, Bulacan
86. Centro East, Santiago City, Isabela
87. Sto.Niño St., Brgy. Guagua Pampanga
88. Zamora St. Tarlac City
89. Nolasco St., cor. Castro Avenue and J.P. Rizal St., Laoag City
90. Brgy. Magugpo, Tagum City, Davao Del Norte
91. Brgy. San Jose, Digos City, Davao Del Sur
92. J.P. Laurel Avenue, Davao City
93. Western Bicutan, Taguig City
94. Amang Rodriguez corner Marcos Highway, Brgy. Dela Paz, Pasig, Metro Manila
95. 76 Tandang Sora Ave., Tandang Sora Quezon City
96. San Pedro, Laguna
97. 900 D.Romualdez St. Paco Manila
98. Quezon St., Poblacion, Malasiqui, Pangasinan
99. Brgy. San Antonio Floridablanca Pampanga
100. Brgy Pulanglupa Las Pinas City
101. Governor's Drive San Agustin Trece Martires City
102. San Juan St., Cor. B.S Aquino Drive Sto. Niño Bacolod City
103. Edsa Balintawak, Brgy. Apolonio Samson, Quezon City
104. EDSA cor. Gregorio De Jesus St., Bagong Barrio, Caloocan City
105. Marcos Highway, Bakakeng Central, Baguio City
106. Zone 1, Bayambang, Pangasinan
107. Manila East Road, Barangay Pantok, Binangonan, Rizal
108. Bonuan Gueset, Dagupan City, Pangasinan
109. J. Figueras St. cor. Lardizabal St., Sampaloc, Manila
110. San Jose St., Butuan City
111. Masiit Calauan Laguna
112. P. Burgso corner Rumaldo St., Cavite City
113. Poblacion, Gen. Trias Cavite
114. Halang Road, Biñan, Laguan
115. Barrio of Sagapan, Municipality of Iba, Province of Zambales (Happy Valley Center)
116. Mangatarem, Pangasinan
117. Mayombo, Dagupan City, Pangasinan
118. Provincial Road, Bayan, Orani, Bataan
119. Ortigas Ave., Extention Cainta, Rizal
120. Toledo and Osmeña Sts., Poblacion Porac, Pampanga
121. Sixto Antonio Avenuem Rosario, Pasig
122. Aurora Blvd., Sta. Mesa, Quezon City
123. Sta. Rosa-Tagaytay Road, Brgy. Pulong Sta Cruz, Sta Rosa, Laguna
124. National Highway, Sto. Tomas, Batangas
125. Baraca- Camachile, Subic, Zambales
126. Timog Avenue, Diliman, Quezon City
127. Trece Martires City
128. Zabarte Road Novaliches Quezon City
129. Rizal Avenue corner Zurbaran, Manila
130. Brgy. Nalsian, Calasiao, Pangasinan

131. C.V. Starr Avenue, Philamlife Village, Pamplona II, Las Piñas City
132. Jorge Bocobo St., A Flores cor., Ermita Manila
133. E. Aguinaldo Highway, Tagaytay City
134. G/F Starmall, Edsa corner Shaw Blvd., Mandaluyong City
135. 286 Blumentritt St. Sta. Cruz Manila
136. BF Homes, Along Aguirre Avenue, Parañaque City
137. Poblacion, Tanuan, Batangas
138. Basement Annex A St. Francis Square, Julia Vargas corner Bank Drive, Mandaluyong City
139. Alabang Zapote Road, Las Piñas City
140. Jose Yulo Sr. Blvd.,Canlubang Calamba City, Laguna
141. No. 1 west Ave., Brgy. Sta. Cruz I, Quezon City
142. San Dionisio Parañaque City
143. Balibago, Angeles, Pampanga
144. 718 Quezon Avenue, Quezon City.
145. La Huerta, Parañaque City
146. Scout Borromeo St., cor. Mother Ignacia Ave., Brgy. South Triangle, Quezon City
147. Rizal Ave., corner G. Puyat St., Sta Cruz, Manila
148. Bagong Buhay Avenue, Brgy., Bagong Buhay-B, Municipality of San Jose Del Monte, Bulacan
149. Commonwealth Ave., M. Balara/Capitol, Quezon City
150. Mc Arthur Highway, Dolores, City of San Fernando, Pampanga
151. M.L. Quezon Street, Barangay San Isidro, Antipolo City
152. Poblacion, San Juan Batangas
153. Holy Spirit Ave., Don Antonio Heights, Brgy., Holy Spirit Quezon City
154. Brgy. Mangahan, Municipality of Gen. Trias, Province of Cavite
155. Juan Luna St. near Padre Rada St. Tondo Manila
156. Qurino Ave., corner Alabang-Zapote Road, Las Piñas City
157. Brgy. Mayapa, Calamba, Laguna
158. Batong Malake, Los Baños, Laguna
159. 53 West Avenue, Brgy. Paltok, Quezon City
160. Taft Avenue corner A. Arnaiz Street, Pasay City
161. 704 Rizal Avenue Extention, Brgy. 90, Caloocan City
162. 134 Del Monte Ave., cor. Cordillera St., Quezon City
163. Quezon Avenue, Quezon City
164. MacArthur Highway, Brgy. Calbario, Meycauayan, Bulacan
165. Bayan- bayanan Ave., Concepcion Uno, Marikina City
166. 126 R. Jabson St. Brgy. Malinao, Pasig City
167. P. Oliveros corner Gen. Luna corner Martinez St., Antipolo City
168. Batasan- San Mateo Road corner Santo Niño St., Quezon City
169. 375 Tuktukan, Guiginto, Bulacan
170. J. Aguilar Ave., CAA Road, Pulang Lupa Dos, Las Piñas City
171. Cagayan Valley Road, Tabang, Plaridel, Bulacan
172. Brgy. Ususan, Taguig city
173. ML Quezon Ave., San Isidro, Angono Rizal
174. J.P. Rizal Avenue, Nangka Marikina City
175. 346 Rizal avenue, Barangay San Juan, Taytay, Rizal
176. Lot 3A Block2 Old Sauyo Road, Barangay Sauyo, Novaliches, Quezon City

Company E Corporation owns the 1 building with aggregate area of 671 sq meters

1. 41 Don P. Campos, Dasmariñas City, Cavite
2. 122 Kalayaan Avenue, Diliman, Quezon City
3. Silang Crossing, Tagaytay City
4. Brgy. Concepcion, Marikina
5. Panorama, Brgy. Concepcion Dos, Marikina City
6. Taytay Rizal
7. A. Rodriguez Avenue, Cainta, Rizal
8. Brgy. Ampid, San Mateo, Province of Rizal
9. Philam Homes Quezon City
10. 101 Interior Tandang Sora, Brgy. Pasong Tamo, Quezon City
11. Visayas Ave. 2nd from the corner of Tandang Sora Ave., Quezon City
12. 102 Gen. Luna, Guitnang Bayan, San Mateo, Rizal
13. E. De la Paz Street Brgy. Sta. Elena, Marikina City
14. Col. Guido, San Roque, Angono Rizal
15. City of Antipolo, Rizal
16. Pasig City

PPCI Subic, Inc. leases the following 1 building with aggregate area of 4,917.70 sq meters

1. 193. Fertuna Anchor Mall, Subic Bay Freeport Zone

Kareila Management Corporation owns 5 buildings located at:

1. Subangdaku, Mandaue City
2. Olongapo-Gapan Road, San Femando, Pampanga
3. Brgy. Ma-A, Talomo, Davao City
4. 514 Shaw Boulavard, Mandaluyong City
5. Aguinaldo Highway, Imus, Cavite

The Company, under its real estate segment, has the following properties:

Location/Branch	Lot Area	Building Area
Land and building		
M. Concepcion Avenue, San Joaquin, Pasig City	8,293 sq.m.	14,544.89 sq.m.
Dr.Santos Ave.,Paranaque City	8,389 sq.m.	7,261 sq.m.
Brgy. Tabang, Guiguinto, Bulacan	7,892.07 sq.m.	6,634.30 sq.m.
Poblacion, San Juan Batangas City	607.16 sq.m.	550 sq.m.
Maharlika Highway, Cabanatuan, Nueva Ecija	6,974 sq.m.	5,836 sq.m.
Brgy.Tuktukan, Taguig City	6,340 sq.m.	3,800 sq.m.
G. Araneta Ave., Cubao, Quezon City	4,728 sq.m.	26,163.12 sq.m.
E. Rodriguez Avenue corner G. Araneta Avenue, Quezon City	27,995 sq.m.	16,599.37 sq.m.
419 Km. Mc Arthur Highway, Valenzuela City	26,651 sq.m.	11, 819.70 sq.m.
Don Antonio Heights, Quezon City	2,245.60 sq.m.	2,672 sqm
Juan Luna St.,Cor.Tayuman St.,Tondo,Manila	12,426.65 sq.m.	12,694.89 sq.m.
Brgy.Masin, Candelaria, Quezon	12,000 sq.m.	2,400 sq.m.
Avenida R.G. Tanchoco, Brgy. San Juan Cor.	10,790 sq.m.	9,138.34 sq.m.

National Highway, Taytay Rizal		
Brgy. Bagong Nayon, Baliuag, Bulacan	10,274 sq.m.	6,813.68 sqm
Building		
Samson Rd. Brgy.75 District 2 West Caloocan City		4,341 sq.m.
McArthur Highway, Brgy. Dau, Mabalacat, Pampanga		12,851.07 sq.m.
Land		
Samson Rd. Brgy.75 District 2 West Caloocan City	9,665.62 sq.m.	
Brgy. Subangdaku, Mandaue City, Province of Cebu	32,247 sqm	
695 Laurel St. Mandaluyong	1,415 sq.m.	
514 Shaw Blvd., Brgy. Pleasant Hills, Mandaluyong City	10,861 sq.m.	
The Fort Bonifacio Global City, Taguig	13,124 sq.m.	
The Fort Bonifacio Global City, Taguig	13,124 sq.m.	
The Fort Bonifacio Global City, Taguig	13,124 sq.m.	
The Fort Bonifacio Global City, Taguig	13,124 sq.m.	
Brgy.San Roque, San Pablo, Laguna	10,863 sq.m.	
Brgy., Panaoaan Bacoor, Cavite	4,750 sq.m.	
Camarin Caloocan City	4,341 sqm	
A. Linao St., Paco Manila	4,182.40 sq.m.	
Quirino Highway cor. Maligaya Drive, Novaliches, Quezon City	58,364 sq.m.	
Brgy. Talon, Las Piñas City	14,038 sq.m.	
M.H. Del Pilar St., Brgys., Tugatog and Tinajeros, Malabon City	3,598 sq.m.	
Urdaneta, Pangasinan	23,182 sq.m.	
Brgy. San Gabriel, Governor's Drive, GMA, Cavite	6,500 sq.m.	

Cosco Capital, Inc. does not own any real property. However, the company has participating interests in various petroleum and mineral properties in Philippines.

Cosco Capital, Inc. has the following petroleum and mineral properties as of December 31 2014:

1. ***Service Contract (SC) No. 14 (B1)-North Matinloc***

   Service contract No. 14 is located in 350 meters depth of water, approximately 60 kilometers offshore from Palawan Island. SC No 14 is divided into four blocks (A,B,C & D)

   The Matinloc oil field is located in Block B1 under SC No. 14 located approximately 60 kilometers offshore from Palawan Island. SC No. 14 is divided into four (4) blocks composed of Nido (Block A), North Matinloc (Block B1), West Linapacan (Block C) and the retention aread (Block D).

2. ***Service Contract No. 14 (C2)-West Linapacan, Offshore Northwest Palawan***

The West linapacan oil field is located in Block C under SC No. 14 and covers a total area of approximately 80 kilometers.

A separate structure, West Linapacan "B, located 7.5 kilometers from "A" field structure, was drilled in March 1993 with well testing at a rate of 2,860 BOPD.

3. ***Service Contract No. 14 (D)- Retained Area***

The Company has a participating interest equivalent to 5.835% in the retained area under SC No. 14. The other members of the consortium are: Philodrill Corp. (33.75%); Nido Petroleum Philippines Pty. Ltd. (31.42%); Oriental Petroleum and Mineral Corp. (20.83%); and Forum Energy Philippines Corp. (8.17%).

4. ***Service Contract 6(A)***

The SC No. 6(A) field is located in offshore Northwest Palawan covering 165,000 hectares of relatively shallow waters where a string of wells have found non-commercial oil accumulations in varied reservoir horizons.

5. ***Service Contract 6 (B)-Bonita, Offshore Northwest Palawan***

The Bonita field under SC No. 6 (B) is located offshore northwest Palawan, adjacent to the Matinloc field of SC No. 14, with an area of 53,293 hectares.

On June 17, 2009, the DOE approved the extension of the service contract for another 15 years or up to February 2024.

6. ***Service Contract 51-East Visayan Basin***

The contract area is located in the central part of the Philippine Archipelago. The contract area is defined by two (2) disjointed blocks, namely an onshore-offshore block over Northwest Leyte and a largely deepwater block in Cebu Strait, between the islands of Cebu and Bohol with an aggregate area of 444,000 hectares.

Otto Energy has executed a farm-out of its SC-51 participating interest to Swan Oil and Gas. The agreement has been approved by the SC51 Joint Venture Partners and the DOE last July. In the Consortium meeting of October 27, 2011, NorAsia informed the partners that DOE has accepted DUHAT-1 as compliance of its 3rd Sub-Phase work program. DOE has also approved the100 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.

NORTH BLOCK:

102 line kilometers of seismic lines were completed by the seismic survey party last July 2012. 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. The exact expenditure details are not yet available but will be included in the final formal report.

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 very much higher.

Otto Energy informed that its Board has already approved the drilling budget of US$6.6M for next year's drilling program which is likely to occur during 3Q of 2013. A very much larger rig is being sought for the drilling Duhat 2 to avoid the debacle of Duhat 1/1A. So far two serious drilling outfits have heeded the call for rig by Otto.

Item 3 Legal Proceedings

Neither the Company nor its subsidiaries have been involved or is involved in any governmental, legal or arbitration proceedings that may have or have had a material effect on the Company's business, financial position or profitability.

Item 4 Submission of Matters to a Vote of Security Holders

In 2014 Annual Stockholders Meeting, the following items were submitted to a vote of security holders:

1. Call to order
2. Proof of notice and quorum
3. Message of the Chairman and the President and Presentation of the Audited Financial Statements as of December 31, 2013
4. Approval of the Minutes of the August 30, 2013 Annual Stockholders' Meeting and ratification of all acts and resolutions of the Board of Directors and Management from the date of the last Stockholders' Meeting
5. Election of seven (7) directors inclusive of two (2) independent directors
7. Approval of the listing of 575,000,000 shares of Cosco Capital, Inc. subscribed by the Lucio L. Co Group on April 26, 2010 representing 25% of the increase in authorized capital stock of the Company from 700 Million to 3 Billion Pesos and waiver of the requirement to conduct a rights or public offering by the majority of the outstanding shares held by the attending minority stockholders pursuant to Section 5, Part A, Article V to the Revised Listing Rules of the Philippine Stock Exchange
8. Amendment of Article III of the Articles of Incorporation
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

PART II OPERATIONAL AND FINANCIAL INFORMATION

Item 5 Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

The table below shows the stock prices of the Company for years 2014 and 2013:

2014	High	Low
January	9.10	7.94
February	9.22	7.48
March	9.90	9.38
April	10.56	9.49
May	11.02	9.37
June	9.89	9.59

July	10.02	9.44
August	9.60	8.00
September	8.28	7.62
October	7.99	7.40
November	8.44	7.86
December	8.74	8.00

Source: Daily Quotation Reports of the Philippine Stock Exchange

Holders

There are approximately 1,034 registered holders of common shares as of December 31, 2014 owning at least one board lot per 100 share (based on number of accounts registered with the Stock Transfer Agent).

The top 20 stockholders as at December 31, 2014 are as follows:

	Name	No. of Shares Held	% to Total
1.	Lucio L. Co	2,317,503,092	31.30%
2.	Susan P. Co	1,780,182,230	24.03%
3.	The HSBC	638,013,331	8.62%
4.	VFC Land Resources, Inc.	220,066,929	2.97%
5.	Ferdinand Vincent P. Co	209,557,122	2.83%
6.	Pamela Justine P. Co	209,535,971	2.83%
7.	Ansaldo Godinez & Co, Inc.	176,156,725	2.38%
8.	Deutsche Bank Manila	165,632,201	2.24%
9	KMC Realty Corporation	150,832,231	2.04%
10	Standard Chartered Bank	150,782,800	2.04%
11.	King's Power Securities, Inc.	129,564,427	1.75%
12.	Camille Clarisse P. Co	83,295,231	1.12%
13.	COL Financial Group, Inc.	68,349,881	0.92%
14.	SB Equties, Inc.	66,772,808	0.90%
15.	SPC Resources, Inc.	58,500,000	0.79%
16.	Strategic Equities Equities Corp.	52,371,883	0.71%
17.	First Metro Securities Brokerage Corp.	35,281,259	0.48%
18.	BDO Securities Corporation	32,705,958	0.44%
19.	Abacus Securities Corporation	29,736,087	0.40%
20.	HDI Securities, Inc.	29,457,900	0.40%

Dividends

On June 27, 2014, the Board of Directors of Cosco Capital, Inc. declared and approved the payment of cash dividends amounting to ₱0.06 per share payable to all qualified shareholders as of the record date of July 11, 2014 payable on July 28, 2014.

On December 18, 2014, Board of Directors of Cosco Capital, Inc. declared and approved the payment of cash dividends amounting to ₱0.08 per share payable to all qualified shareholders as of the record date of January 12, 2015 payable on February 5, 2015.

Securities sold

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the Securities and Exchange Commission:

(1) On May 16, 2014, Cosco Capital, Inc. issued corporate notes comprised of 7-year FXCN notes and 10-year FXCN notes amounting to ₱1.0 Billion and ₱4.0 Billion, respectively. 7-year and 10-year notes will mature on the day which falls eighty four (84) months and one hundred twenty (120) months, respectively, after the date of issue thereof, and bear fixed interest rate of 5.2667% and 5.579% per annum, respectively. Interests are payable quarterly starting August 16, 2014. The corporate notes, which were issued to less than 20 entities, are considered as exempt pursuant to Section 10 (1) of RA 8799. The arranger is First Metro Investment Corporation and the total arranger's fees amounted to P17 Million.

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

(3) In addition, 1,142,857,143 shares were subscribed and issued to subscribers for ₱10.50 per share for a total consideration of ₱12,000,000,001.50. The issuance of common shares was exempt from registration being issued to fewer than 20 persons in the Philippines during the 12-month period as mandated by Section 10.1 of the Securities and Regulation Code.

Item 6. Management's Discussion and Analysis of Operations

Key Performance Indicators

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

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment

- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales

- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to pay interest of its outstanding debts

- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group

- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues

- Asset to equity ratio (Assets/ Shareholders' equity) - indicates the Group's leverage used to finance the firm

- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of a Group's financial leverage

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

Performance Indicators	2014	2013	2012
Return on investment	**10.94%**	10.32%	0.93%
Profit margin	**6.31%**	6.92%	32%
EBITDA to interest expense	**34.54:1**	315.74:1	n/a
Current ratio	**2.14:1**	2.16:1	354:1
Asset turnover	**1.20:1**	1.09x	0.03:1
Asset to equity	**1.52:1**	1.37:1	1:1
Debt to equity ratio	**0.49:1**	0.08:1	Debt free

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 audited financial statements attached in Annex A hereof.

Results of Operation

Comparative Years 2014 and 2013

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of ₱98.79 Billion for the year ended December 31, 2014 which reflects an increase of ₱49.82 Billion or representing a growth of 102% compared to last year's revenue of ₱48.98 Billion. The growth in consolidated revenues has been largely driven by a combination of the Group's sustained organic growth from its aggressive stores expansion program for its grocery retail, real estate and liquor distribution business segments as well as revenue contributions realized from the strategic acquisitions made during the period involving its commercial real estate portfolio as well as investments in specialty retailing business segment with the acquisition of Office Warehouse in February 2014 as well as Liquigaz Philippines in July 2014.

Growth in Net Income

During the same period, the Group realized a consolidated net income of ₱6.23 Billion which is higher by ₱2.50 Billion representing a 67% increase as compared to last year's net income of ₱3.73 Billion. Net income attributable to equity holders of the parent company (PATMI) amounted to ₱4.027 Billion in 2014 which increased by about ₱1.54 Billion or 62% as compared to the 2013 PATMI amounting to ₱2.48 Billion.

Segment Revenue & Net Income Contributions

Retail Segment

During 2014, the Group's retail business segment registered a consolidated revenue contribution amounting to ₱84.70 Billion or an increase of ₱38.67 Billion or 84% growth as compared to the segment's revenue contribution of ₱46.02 Billion last year brought about by its continued aggressive stores expansion program. Consolidated net income contribution in 2014 amounted to ₱4.52 Billion which increased by ₱1.97 Billion or 77% as compared to the net income contribution of ₱2.55 Billion in 2013.

Real Estate Segment

The commercial real estate business segment contributed ₱1.60 Billion to the Group's consolidated revenue in 2014 representing a growth of about ₱481 Million or 43% as compared to last year amounting to ₱1.12 Billion. This was mainly attributable to the segment's expanded commercial mall operations with the operations of its Fairview Terraces mall as well as the acquisition of NE Pacific Mall on February 11, 2014. Net income contribution in 2014 amounted to about ₱959 Million which increased by about ₱396 Million or 70% as compared to the net income contribution of ₱563 Million in 2013.

Liquor Distribution Segment

Similarly, the liquor distribution business segment contributed about ₱3.72 Billion to the Group's consolidated revenue during the same period in 2014 representing an increase by about ₱1.89 Billion or 104% higher as compared to the 2013 revenue contribution of ₱1.82 Billion mainly attributable to its aggressive sales and marketing campaign. Net income contribution in 2014 amounted to about ₱603 Million which increased by ₱10 Million or 2% as compared to the net income contribution in 2013 amounting to ₱594 Million.

Specialty Retail

Office Warehouse, Inc., which was acquired in April 2014, contributed the amount of ₱820 Million to the Group's consolidated revenue and ₱5 Million to the Group's consolidated net income during the 8-months period ending December 31, 2014.

On the other hand, Liquigaz Philippines Corporation, which was recently acquired on July 21, 2014, contributed the amount of ₱7.91 Billion to the Group's consolidated revenues and ₱126 Million to the Group's consolidated net income during the 5-months period ending December 31, 2014.

Table 1: Consolidated Income Statements

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2014 and 2013.

(In Millions)	2014		2013		*INCREASE (DECREASE)*	%
REVENUES	98,787	*100%*	48,976	*100%*	***49,811***	***102%***
COST OF SALES / SERVICES	81,775	*83%*	39,442	*81%*	***42,333***	***107%***
GROSS PROFIT	17,012	*17%*	9,534	*19%*	***7,477***	***78%***
OTHER OPERATING INCOME	2,838	*3%*	1,400	*3%*	***1,439***	***103%***
	19,850	*20%*	10,934	*22%*	***8,916***	***82%***
OPERATING EXPENSES	11,198	*11%*	5,830	*12%*	***5,368***	***92%***
INCOME FROM OPERATIONS	8,652	*9%*	5,104	*10%*	***3,548***	***70%***
OTHER INCOME (CHARGES) - net	37	*0%*	-21	*0%*	***58***	***274%***
INCOME BEFORE INCOME TAX	8,689	*9%*	5,082	*10%*	***3,607***	***71%***
INCOME TAX EXPENSE	2,453	*2%*	1,351	*3%*	***1,102***	***82%***
NET INCOME	6,236	*6%*	3,731	*8%*	***2,504***	***67%***

Income Attributable to:

Equity holders of the Parent Company	4,027	*4%*	2,483	*5%*	***1,544***	***62%***
Non-controlling interests	2,209	*2%*	1,248	*3%*	***960***	***77%***
	6,236	*6%*	3,731	*8%*	***2,504***	***67%***

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

Table 2 – Pro-forma Consolidated Income Statements

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

(In Millions)	2014	%	2013	%	*INCREASE (DECREASE)*	%
REVENUES	110,322	*100%*	96,683	*100%*	*13,640*	*14%*
COST OF SALES/SERVICES	92,335	*84%*	81,068	*84%*	*11,267*	*14%*
GROSS PROFIT	17,987	*16%*	15,614	*16%*	*2,373*	*15%*
OTHER OPERATING INCOME	2,931	*3%*	2,226	*2%*	*705*	*32%*
	20,918	*19%*	17,840	*18%*	*3,078*	*17%*
OPERATING EXPENSES	11,964	*11%*	10,246	*11%*	*1,718*	*17%*
INCOME FROM OPERATIONS	8,954	*8%*	7,594	*8%*	*1,360*	*18%*
OTHER INCOME - net	160	*0%*	230	*0%*	*-70*	*-30%*
INCOME BEFORE INCOME TAX	9,114	*8%*	7,824	*8%*	*1,290*	*16%*
INCOME TAX EXPENSE	2,593	*2%*	2,213	*2%*	*380*	*17%*
NET INCOME FOR THE YEAR	6,522	*6%*	5,612	*6%*	*910*	*16%*
Net Income Attributable to:						
Equity holders of the Parent Company	4,307	*4%*	3,662	*4%*	*645*	*18%*
Non-controlling interests	2,215	*2%*	1,950	*2%*	*265*	*14%*
	6,522	*6%*	5,612	*6%*	*910*	*16%*

In the above Pro-forma Consolidated Income Statements, the operating results for the twelve months period ended December 31, 2014 of the three (3) subsidiaries acquired in 2014 are included in the pro-forma statements (together with their corresponding 2013 twelve-month comparative operating results) on the basic assumption as if the acquisition of these consolidated subsidiaries acquired by purchase became effective on January 1, 2013.

Thus, on a pro-forma basis, the Group's consolidated revenues for the 12-months period ended December 31, 2014 would amount to ₱110.32 Billion for an increase by ₱13.65 Billion or a year-on year growth of 14% as compared to the same period in 2013. Consequently, the Group's consolidated net income would amount to ₱6.52 Billion reflecting an increase by ₱910 Million or a year-on-year growth of 16% as compared to the net income of the same period last year.

Segment Operating Highlights

Retail

Net Sales

For the year ended December 31, 2014, the Retail segment posted a consolidated net sales of ₱84,697 million for an increase of ₱11,520 million or 15.7% compared to ₱73,177 million in 2013. New stores put up in 2013 were fully operating in 2014 increasing consolidated net sales in addition to robust like for like stores sales growth for the year ended December 2014. Consolidated like for like sales performance indicators of the Retail segment for the years ended December 31 are as follow:

	2014	2013
Net Sales	**3.5%**	2.8%
Net Ticket	**5.4%**	4.7%
Traffic	**-1.8%**	-1.8%

Gross Profit

For the year ended December 31, 2014, the Retail segment realized an increase of 14.1% in consolidated gross profit from ₱12,699 million in 2013 to ₱14,484 million in 2014, driven by strong sales growth from new and old stores and continuous suppliers' support through rebates and conditional discounts granted during the period. Consolidated gross profit margin was posted at 17.1% and 17.4% for the years ended December 2014 and 2013, respectively.

Other Operating Income

Other operating income increased by ₱634 million or 28.8% from ₱2,204 million in December 2013 to ₱2,838 million in 2014. This is attributable to increase in concession income, display allowance, rent income, membership income and service income driven mainly by new stores offering new spaces for product displays and booths for third party retailers and other promotions to increase customer and supplier's supports.

Operating Expenses

Consolidated operating expenses expanded by 14.8% from ₱9,449 million in 2013 to ₱10,845 million in 2014 resulting from the Retail segment's store expansion. Major expenses linking to store operations such as manpower cost, rent, utilities, depreciation and taxes increased, but total operating expenses maintain a 12.8% and 12.9% share in relation to consolidated net sales in 2014 and 2013, respectively.

Other Income (Expense) - net

Other income net of other expenses decreased by ₱142 million or 116.1% for the year ended December 2014 compared to previous year. This was due to the absence of the one-time interest income recognized in 2013 coming from the short-term investment of the proceeds from the ₱5 billion corporate notes issued by the Parent Company. The same notes were pre-terminated and paid in full in April of 2013 due to the changes in the applicable taxation rules.

Net Income

For the year ended December 31, 2014, the Retail segment posted a consolidated net income of ₱4,520 million at 5.3% net margin and an increase of 14.2% from ₱3,959 million at 5.4% net margin in 2013. This was due to the continuous expansion of the Group and combined management effort to boost revenue driven from old stores. On a recurring basis, normalized net income after tax would have increased by ₱695 million or 18.2% at 5.3% and 5.2% net margin for the years ended December 31, 2014 and 2013, respectively. In previous year, the Retail segment recognized a one-time interest income coming from the short-term investment of the proceeds from the ₱5 billion corporate notes issued by the Parent Company. The same notes were pre-terminated and paid in full in April of 2013 due to the changes in the applicable taxation rules.

Real Estate

The Group's Real Estate Segment posted ₱2.21 Billion revenue for the years ended December 31, 2014 or a 3% increase from ₱2.15 Billion in the previous year. The acquisition of NE Pacific Shopping Centers Corporation and the opening of Fairview Terraces Mall expanded the Group's commercial mall portfolio and mainly contributed to the increase of the segment's revenue.

Income from operations before depreciation increased by ₱535 Million from ₱854 Million of the year ended December 31, 2013.

Real Estate Segment's net income for the period amounted to ₱975 Million or a 21% increase from last year's ₱453 Million brought about by growth in revenue and decrease in operating expenses, income tax expense and interest expenses.

Liquor Distribution

Revenue from the Liquor Distribution Segment increased to ₱4.84 Billion in 2014 or 36% growth from last year's ₱3.56 Billion. The growth in revenue is attributable to the increase in sales of the spirits sector particularly whisky and brandy. Wines and specialty beverages also experienced dramatic growths in the current year and contributed to the segment's overall sales growth.

Income from operations increased to ₱886 Million in 2014 or 13% higher from last year's ₱787 Million.

Net income for the 2014 period increased by ₱64 Million from ₱539 million in 2013 to ₱603 Million in 2014 or a 12% growth.

Specialty Retail

The Group's Specialty Retail Segment was initially established with the acquisition of100% equity interest in Office Warehouse, Inc. that was consolidated with the Group starting May 1, 2014. Office Warehouse operates a chain of 47 specialty retail outlets engaged in selling school and office supplies, technology items, home/office furniture and equipment and related products

For the year ended December 31, 2014, Office Warehouse contributed the amount of ₱820 Million to the Group's consolidated revenue and ₱5 Million to the Group's consolidated net income.

In July 2014, Cosco Capital, Inc., through a 90%-owned subsidiary, Canaria Holdings, Inc., acquired 100% equity interest in Liquigaz Philippines Corporation, a company engaged in the wholesale and distribution of LPG in the Philippines. Liquigaz operates through its Bataan terminal which has a storage capacity of 12,500 MT of LPG supported by its hubs located in

Bulacan with a capacity of 75 metric tons with 5 cylinder refilling facilities and another one located in Canlubang, Laguna with a capacity of 40 metric tons.

For the year ended December 31, 2014, Liquigaz contributed the amount of ₱7.91 Billion to the Group's consolidated revenues and ₱126 Million to the Group's consolidated net income. However, the Company's 2014 twelve-month year on year revenue and net income grew by 4% and 61% respectively, as compared to its 2013 operating results.

Table 3: Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group:

(In Million)	**2014**	*%*	2013	*%*	***INCREASE (DECREASE)***	*%*
A S S E T S						
Current Assets						
Cash and cash equivalents	**15,377**	*17%*	14,744	*20%*	***633***	*4%*
Receivables – net	**5,342**	*6%*	2,819	*4%*	***2,523***	*89%*
Investments in trading securities	**37**	*0%*	29	*0%*	***9***	*30%*
Available-for-sale financial assets	**14**	*0%*	11	*0%*	***3***	*25%*
Short-term investments	**1,128**	*1%*	500	*1%*	***628***	*126%*
Inventories	**13,922**	*16%*	10,355	*14%*	***3,567***	*34%*
Due from related parties	**10**	*0%*	-	*0%*	***10***	*100%*
Prepaid expenses and other current assets	**1,165**	*1%*	1,703	*2%*	***-538***	*-32%*
	36,995	*41%*	30,161	*40%*	***6,834***	*23%*
NONCURRENT ASSETS						
Noncurrent Assets						
Property and equipment – net	**15,285**	*17%*	13,481	*18%*	***1,804***	*13%*
Investment properties – net	**12,774**	*14%*	11,672	*16%*	***1,102***	*9%*
Intangible assets	**20,895**	*23%*	18,001	*24%*	***2,894***	*16%*
Investments	**912**	*1%*	440	*1%*	***472***	*107%*
Deferred oil and mineral exploration costs	**119**	*0%*	119	*0%*		*0%*
Loans to related parties-net of current portion	**8**	*0%*	-	*0%*	***8***	*100%*
Deferred tax assets – net	**121**	*0%*	53	*0%*	***68***	*128%*
Other non-current assets	**2,609**	*3%*	1,196	*2%*	***1,413***	*118%*
	52,723	*59%*	44,961	*60%*	***7,762***	*17%*
TOTAL ASSETS	**89,718**	*100%*	75,122	*100%*	***14,596***	*19%*

LIABILITIES AND EQUITY

L I A B I L I T I E S

Current Liabilities						
Accounts payable and accrued expenses	12,206	40%	11,156	55%	1,051	9%
Income tax payable	830	3%	735	4%	95	13%
Short-term loans payable	2,259	7%	1,212	6%	1,047	86%
Current portion of long-term borrowing	1,008	3%	-	0%	1,008	100%
Trust receipts payable	-	0%	17	0%	-17	-100%
Due to related parties	43	0%	48	0%	-6	-12%
Dividends payable	529	2%	407	2%	122	30%
Other current liabilities	409	1%	414	2%	-5	-1%
	17,283	57%	13,988	69%	3,295	24%
Noncurrent Liabilities						
Retirement benefit cost	433	1%	293	1%	140	48%
Deposits for future stock subscription	150	0%	-	0%	150	100%
Deferred tax liabilities	1,265	4%	939	5%	326	35%
Long-term loans payable - net of debt issue costs	8,859	29%	3,452	17%	5,407	157%
Other non-current liabilities	2,560	8%	1,620	8%	941	58%
	13,268	43%	6,303	31%	6,964	110%
TOTAL LIABILITIES	30,550	100%	20,291	100%	10,259	51%
EQUITY						
Capital stock	7,405	13%	7,405	14%	-	0%
Additional paid-in capital	9,635	16%	9,635	18%	-	0%
Remeasurements of retirement liability - net of tax	-49	0%	-3	0%	-47	1846%
Reserve for fluctuations in value of AFS financial assets	-504	-1%	5	0%	-508	-11133%
Retained earnings	25,925	44%	23,040	42%	2,885	13%
Total Equity Attributable to Equity Holders of Parent Company	42,412	72%	40,082	73%	2,330	6%
Treasury stock	-253	0%	-245	0%	-8	3%
	42,160		39,837		2,323	6%
Non-controlling interest	17,008	29%	14,994	27%	2,015	13%
	59,168	100%	54,831	100%	4,337	8%
TOTAL LIABILITIES AND EQUITY	89,718		75,122		14,596	19%

The observable out-of-range fluctuations between the 2014 and 2013 consolidated figures are mainly attributable to the relative effectivity dates of the consolidation of the acquired subsidiaries by purchase in 2014 and the effect of subsidiaries acquired through share swap transaction in June 2013 whereby the consolidated assets and liabilities for 2013 comparative period included only the balances of the subsidiaries starting the month of June 2013 only whereas the Group's consolidated assets and liabilities for the current year 2014 included the balances of the subject subsidiaries from January to December 2014 together with the new acquired subsidiaries in 2014 from the effectivity dates of their respective acquisitions. **(Please see Table 4 below)**

Table 4 – Pro-forma Consolidated Statements of Financial Position

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

(In Millions)	2014	%	2013	%	*INCREASE (DECREASE)*	%
A S S E T S						
Current Assets						
Cash and cash equivalents	15,377	17%	9,151	12%	6,225	68%
Receivables - net	5,347	6%	4,740	6%	608	13%
Investments in trading securities	37	0%	29	0%	9	30%
Available-for-sale financial assets	18	0%	11	0%	7	58%
Short-term investments	1,128	1%	500	1%	628	126%
Inventories	13,922	15%	11,921	15%	2,001	17%
Due from related parties	1	0%	-	0%	1	100%
Prepayments and other current assets	1,165	1%	2,078	3%	-913	-44%
	36,996	41%	28,430	36%	8,566	30%
NON-CURRENT ASSETS						
Non-current Assets						
Property and equipment - net	15,285	17%	14,700	19%	585	4%
Investment properties - net	12,774	14%	12,673	16%	101	1%
Intangible assets	21,438	24%	21,418	27%	21	0%
Investments	933	1%	596	1%	337	57%
Deferred oil and mineral exploration costs	119	0%	119	0%		0%
Loans to related parties-net of current portion	8	0%	-	0%	8	100%
Deferred tax assets - net	121	0%	137	0%	-16	-12%
Other non-current assets	2,609	3%	1,254	2%	1,356	108%
	53,288	59%	50,896	64%	2,391	5%
TOTAL ASSETS	90,283	100%	79,326	100%	10,957	14%

LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	11,817	39%	11,615	48%	202	2%
Income tax payable	830	3%	693	3%	136	20%
Short-term loans payable	2,259	7%	1,902	8%	357	19%
Current portion of long-term borrowing	1,008	3%	-	0%	1,008	100%
Trust receipts payable	-	0%	17	0%	-17	-100%
Due to related parties	43	0%	2,515	10%	-2,473	-98%
Dividends payable	935	3%	407	2%	529	130%
Other current liabilities	409	1%	414	2%	-5	-1%
	17,300	57%	17,562	73%	-262	-1%
Non-current Liabilities						
Retirement benefit cost	433	1%	319	1%	114	36%
Deposits for future stock subscription	150	0%	150	1%	-	0%
Deferred tax liabilities	1,265	4%	939	4%	326	35%
Long-term loans payable - net of debt issue costs	8,859	29%	3,520	15%	5,339	152%
Other non-current liabilities	2,560	8%	1,694	7%	867	51%
	13,268	43%	6,621	27%	6,646	100%
TOTAL LIABILITIES	30,567	100%	24,183	100%	6,384	26%
EQUITY						
Capital stock	7,405	12%	7,405	13%	-	0%
Additional paid-in capital	9,635	16%	9,635	17%	-	0%
Reserve for retirement plan - net of tax	-	0%	-3	0%	3	-100%
Remeasurements of retirement benefit obligation	-49	0%	-8	0%	-41	481%
Reserve for fluctuations in value of AFS financial assets	-504	-1%	5	0%	-508	11133%
Retained earnings	28,477	48%	23,360	42%	5,117	22%
Total Equity Attributable to Equity Holders of Parent Company	44,964	75%	40,394	73%	4,571	11%
Treasury shares	-253		-245	0%	-8	3%
	44,712		40,149		4,563	11%
Non-controlling interest	15,004	25%	14,994	27%	10	0%
	59,716	100%	55,143	100%	4,573	8%
TOTAL LIABILITIES AND EQUITY	90,283		79,326		10,957	14%

Current Assets

Cash and cash equivalents amounted to ₱15.38 Billion as at December 31, 2014 with an increase of ₱6.22 Billion from December 31, 2013 balance or an 68% increase due basically to the net effect of the Parent Company's new strategic business acquisitions during the current period, coupled by significant increase in cash of the Retail Segment which is attributable to cash generated from operating activities offset by payment of trade liabilities, payment of 2013 cash dividends and capital expenditure for new stores expansion in 2014.

However, the Group's funding position was reinforced by the Parent Company's successful issuance of a P5-Billion long-term corporate notes facility sometime in May 2014.

Short-term investments increased by 126% from December 31, 2013 balance of ₱500 Million to this year's balance of ₱1.13 Billion due mainly to the additional placements made by the Real estate segment and Parent and Oil segment, partially offset by the amount of Retail segment's placement that matured in 2014.

Receivables increased by 13% from December 31, 2013 balance of ₱4.74 Billion to this year's balance of ₱5.35 Billion due mainly to the increase in sales in 2014.

Inventories increased by 17% from 2013 balance of ₱11.92 Billion to this year's balance of ₱13.92 Billion due to the retail segment's expansion and additional stocking requirement of the new and existing stores as well as the additional stocking requirements of the liquor distribution segment preparatory to the 4th quarter incremental sales volume. Bulk of the inventory account pertains to the merchandise inventory stocks of the retail segment amounting to ₱11.17 Billion.

Prepayments and other current assets decreased by ₱913 Million or 44% at the end of December 2014, due primarily to application of input vat against output vat payable.

Non-current Assets

As at December 31, 2014 and 2013, total non-current assets amounted to ₱53.29 Billion or 59% of total assets, and ₱50.90 Billion or 64% of total assets, respectively, for an increase of ₱2.4 Billion or 5%.

Property and equipment pertains to the buildings and equipment mostly owned by the Retail segment. Book values of property and equipment increased by ₱585 Million from ₱14.7 Billion in December 2013 to ₱15.28 Billion in December 2014 due principally to additional capital expenditures incurred by the Retail Segment for the development and establishment of new stores.

Investment properties pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of property and equipment increased by ₱101 Million or 1% from ₱12.67 Billion in December 2013 to ₱12.77 Billion in December 2014 due principally to the additional commercial mall assets.

Investments increased by ₱337 Million or 57% from ₱596 Million in December 2013 to ₱933 Million in December 2014. This was due mainly to equity investments made by the Retail Segment in June 2014, into a joint venture company with Lawson Asia Pacific Holdings PTE. LTD. and Lawson, Inc. to pursue the establishment and operations of convenient stores in the Philippines.

Other non-current assets increased by ₱1.36 Billion from ₱1.25 Billion in December 2013 to ₱2.61 Billion in December 2014. About 48% of these assets are attributable to the Retail Segment and the increase was primarily due to additional security deposits and advance rentals in relation to new leases acquired for new stores development for the Retail Segment as well as accrued rental income (PAS17) pertaining to future periods for both the Real Estate and the Retail Segments.

Current Liabilities

As at December 31, 2014 and 2013, total current liabilities amounted to ₱17.3 Billion and ₱17.56 Billion respectively, for a decrease of ₱262 Million or 1%.

About 79% of accounts payable and accrued expenses pertains to the trade payable to suppliers by the Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate segment and suppliers of Liquor Distribution. The increase by ₱202 Million or 2% was primarily due to the additional purchases during by the Retail and Liquor Distribution segment partially offset by the net settlement of trade and non-trade liabilities.

Significant portion of the income tax payable pertains to that of the Retail Segment. The increase by ₱136 Million from ₱693 Million as at December 2013 to ₱830 Million as at December 2014 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2014 in relation to the same period in 2013.

Trust receipts payable decreased by ₱17 million due to settlement made on all outstanding liabilities for purchases made for goods covered under the trust receipts agreement by the Retail segment.

Short-term loans payable account increased by ₱357 Million mainly due to additional loans availed during 2014 principally by the Real Estate segment to refinance outstanding working capital loans and advances.

Current portion of long term borrowing net of debt issue cost increased by ₱1.0 Billion due to reclassification of long-term loans of Retail segment and loans of Parent and Mining segment that falls due within 1 year.

Due to related parties decreased by ₱2.47 Billion or 98% mainly due to the settlement made by the Specialty retail segment during 2014.

Dividends payable increased by ₱529 Million or 130% mainly due to the dividends declared during 2014 by the Parent Company and Retail segment.

Noncurrent Liabilities

As at December 31, 2014 and 2013, total non-current liabilities amounted to ₱13.27 Billion and ₱6.3 Billion, respectively, for an increase of ₱6.65 Billion or 100% significantly attributable to the issuance by the Parent Company of the ₱5.0 Billion corporate notes facility in May 2014.

About 91% of the retirement benefits liability pertains mostly to the Retail segment. The increase was due to recognition of obligation incurred based on the latest independent actuarial report in accordance with PAS 19 – *Employee Benefits.*

The movement of long-term loans payable - net of debt issue costs pertains to the availment of ₱5 Billion corporate notes by the Parent Company in May 2014 decreased by the reclassification of ₱962.3 Million current maturing long term loan of the Retail segment to current liabilities.

Deferred tax liabilities increased by ₱326 Million or 35% mainly due to the increase in accrued rent income.

Other non-current liabilities, which is primarily composed of non-current accrued rent, increased by ₱867 Million or 51% from ₱1.69 Billion as at December 31, 2013 to ₱2.3 billion as at December 31, 2014 due to recognition of rent expense for lease contracts entered into by the Group and its subsidiaries in compliance with PAS 17 – *Leases*.

Source and Use of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
	2014	2013
Net cash flows from (used in) operating activities	**3,308,640,604**	718,535,509
Net cash flows from (used in) investing activities	**(9,237,204,532)**	1,164,922,242
Net cash flows from financing activities	**6,913,498,443**	9,726,166,106
Net increase in cash and cash equivalents	**984,934,515**	11,609,623,857

Net cash used from operating activities during the current period amounting to ₱3.31 Billion is basically attributable to the net effect of the cash generated from the operation.

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

Net cash inflows from financing activities principally resulted from the net proceeds of ₱5 Billion from corporate notes obtained by the Parent Company and the Real Estate segment reduced by the payments made to loan borrowings and finance costs, the effect of consolidation of a newly-acquired subsidiaries and reduced by loan repayments by the Retail segment as well as finance costs paid during the year.

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.

Comparative Years 2013 and 2012

Performance Indicators

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

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

- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of a Group's financial leverage

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

Performance Indicators	2013	2012	2011
Return on investment	10.32%	0.93%	1.22%
Profit margin	6.92%	32%	30%
EBITDA to interest expense	315.74:1	n/a	n/a
Current ratio	2.16:1	354:1	234:1
Asset turnover	1.09x	0.03:1	0.04:1
Asset to equity	1.37:1	1:1	1:1
Debt to equity ratio	0.08:1	Debt free	Debt free

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 audited financial statements attached in Annex A hereof.

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of ₱49 Billion for the year ended December 31, 2013 which reflects an increase of ₱48.9 Billion or representing a growth of 1182959% compared to last year's revenue of ₱4 Million. The growth in consolidated revenues has been largely driven by a combination of the Group's sustained organic growth from its aggressive stores expansion program for its grocery retail, real estate and liquor distribution business segments.

Growth in Net Income

During the same year, the Group realized a consolidated net income of ₱3.73 Billion which is higher by ₱3.72 Billion representing a 34545% increase as compared to last year's net income of ₱10 Million. Net income attributable to equity holders of the parent company (PATMI) amounted to about ₱2.483 Billion in 2013 which increased by about ₱2.472 Billion or 22951% as compared to the 2012 PATMI amounting to ₱10 Million.

Segment Revenue & Net Income Contributions

Retail Segment

During 2013, the Group's retail business segment registered a consolidated revenue contribution amounting to ₱46.02 Billion representing 94% of the Group's total revenue. Consolidated net income contribution in 2013 amounted to ₱2.55 Billion.

Real Estate Segment

The commercial real estate business segment contributed ₱1.83 Billion to the Group's consolidated revenue in 2013 representing 4% of the Group's total revenue.

Liquor Distribution Segment

Similarly, the liquor distribution business segment contributed about ₱1.12 Billion to the Group's consolidated revenue during 2013 representing 2% of the Group's total revenue.

Table 1: Consolidated Income Statements

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2013 and 2012.

(In Millions)	**2013**	2012	***INCREASE (DECREASE)***	*%*
REVENUES	**48,976**	4	***48,972***	*1182959%*
COST OF SALES	**39,442**	-	***39,442***	*100%*
GROSS PROFIT	**9,534**	4	***9,530***	*230208%*
OTHER OPERATING INCOME	**1,400**	-	***1,400***	*100%*
	10,934	4	***10,930***	*264023%*
OPERATING EXPENSES	**5,895**	22	***5,873***	*26262%*
INCOME FROM OPERATIONS	**5,038**	-18	***5,056***	*-27745%*
OTHER INCOME (EXPENSE) – net	**44**	29	***15***	*52%*
INCOME BEFORE INCOME TAX	**5,082**	11	***5,071***	*47006%*
INCOME TAX EXPENSE	**1,351**	-	***1,351***	*7001388%*
NET INCOME FOR THE YEAR	**3,731**	10	***3,721***	*34545%*
Net Income Attributable to:				
Equity holders of the Parent Company	**2,483**	**10**	*2,272*	*22951%*
Non-controlling interests	**1,248**	-	***1,248***	*100%*
	3,731	**10**	*3,721*	*34545%*

The observable out-of-range fluctuations between the 2013 and 2012 consolidated figures are mainly attributable to the relative effectivity dates of the consolidation of the acquired subsidiaries through the share swap transaction in June 2013 whereby the consolidated operating results for 2013 comparative period included only the operating results of the subsidiaries starting the month of June 2013 only whereas the Group's consolidated operating results for the year 2012 represents Cosco Capital, Inc. as a mining company only. **(See Table 2 Below)**

Table 2 – Pro-forma Consolidated Income Statements

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

(In Millions)	**2013**	%	2012	%	***INCREASE (DECREASE)***	%
REVENUES	**96,683**	*100%*	75,722	*100%*	***20,961***	*28%*
COST OF SALES/SERVICES	**81,068**	*84%*	65,482	*86%*	***15,586***	*24%*
GROSS PROFIT	**15,614**	*16%*	10,240	*14%*	***5,374***	*52%*
OTHER OPERATING INCOME	**2,226**	*2%*	1,683	*2%*	***543***	*32%*
	17,840	*18%*	11,923	*16%*	***5,918***	*50%*
OPERATING EXPENSES	**10,246**	*11%*	7,581	*10%*	***2,665***	*35%*
INCOME FROM OPERATIONS	**7,594**	*8%*	4,341	*6%*	***3,253***	*75%*
OTHER INCOME (CHARGES) - net	**230**	*0%*	-260	*0%*	***490***	*189%*
INCOME BEFORE INCOME TAX	**7,824**	*8%*	4,082	*5%*	***3,743***	*92%*
INCOME TAX EXPENSE	**2,213**	*2%*	1,262	*2%*	***951***	*75%*
NET INCOME FOR THE YEAR	**5,612**	*6%*	2,819	*4%*	***2,792***	*99%*
Net Income Attributable to:						
Equity holders of the Parent Company	**3,662**	*4%*	**1,493**	*2%*	***2,169***	*145%*
Non-controlling interests	**1,950**	*2%*	**1,327**	*2%*	***623***	*47%*
	5,612	*6%*	**2,819**	*4%*	***2,792***	*99%*

In the above Pro-forma Consolidated Income Statements, the operating results for the twelve-month period ended December 31, 2013 of the three (3) subsidiaries acquired in 2014 and the effect of subsidiaries through share swap are included in the pro-forma statements (together with their corresponding 2013 twelve-months comparative operating results) on the basic assumption as if the acquisition of these consolidated subsidiaries acquired by purchase and share swap became effective on January 1, 2012.

Thus, on a pro-forma basis, the Group's consolidated revenues for the year ended December 31, 2013 would amount to ₱96.68 Billion for an increase by ₱20.96 Billion or a year-on year growth of 28% as compared to the same period in 2013. Consequently, the Group's consolidated net income would amount to ₱5.61 Billion reflecting an increase by ₱2.79 Billion or a year-on-year growth of 99% as compared to the net income of the same period last year.

Segment Operating Highlights

Retail

Net Sales

For the year ended December 31, 2013, consolidated net sales increased by 27.3% or ₱15,710 million from ₱57,467 million in 2012 to ₱73,177 million in 2013. With new stores put up in 2012 operating in full twelve months in 2013, consolidated net sales grew on top to sales from new stores opened in the current year. Operations from subsidiaries acquired in mid of 2012 were also consolidated in full year 2013.

Gross Profit

The Retail segment's consolidated gross profit expanded by 37.5% for the year ended December 31, 2013 from ₱9,239 million in 2012 to ₱12,699 million in 2013 driven by strong sales growth and higher level of suppliers' support by way of rebates and conditional discounts granted during the year, in support of the segment's strategic store expansion program. Consolidated gross profit margin improved to 17.4% in 2013 from 16.1% in 2012.

Other operating income

Other operating income grew by ₱537 million or 32.2% from ₱1,667 million in 2012 to ₱2,204 million in 2013. This includes increase in concessionaire income, income from renting of product locations in store aisles to suppliers and renting of booths to third party retailers, as well as increase in display allowances of the new stores and newly acquired subsidiaries including membership income from consolidation of S&R.

Operating Expenses

Operating expenses increased by ₱2,392 million or 33.9% from ₱7,057 million in 2012 to ₱9,449 million in 2013. Majority of the increase was attributable to manpower cost of the Retail segment's new stores, as well as rent expenses relative to new lease contracts, utilities expense, depreciation expense and taxes, all related to the establishment and opening of new stores.

Other income (expense) - net

Other income increased by ₱98 million or 399.8% from ₱24 million in 2012 to ₱122 million in 2013. This was driven by interest income from short-term investments for the full year ended December 31, 2013.

Real Estate

The Group's Real Estate Segment posted ₱2.15 Billion revenue for the year ended December 31, 2013 or a 76% increase from ₱1.23 Billion in the previous year. The constructed buildings that started operations in the last quarter of 2012 including those located in San Juan, Batangas, Anabu, Cavite, Subic and building 2 in Divisoria 999, mainly contributed to the increase of the segment's revenue.

Income from operations before depreciation increased by ₱646 Million from ₱398 Million of the year ended December 31, 2012.

Real Estate Segment's net income for the year amounted to ₱452 Million or a 1054% increase from last year's ₱39 Million brought about by growth in revenue.

Liquor Distribution

Revenue from the Liquor Distribution Segment increased to ₱3.56 Billion in 2013 or 34% growth from last year's ₱2.65 Billion. The growth in revenue is attributable to the positive impact of new tax regime implemented at the start of the year. The low excise tax also enabled the liquor business to do trade promotions and volume discounts to wholesalers which increased their purchases.

Income from operations increased to ₱775 Million in 2013 or 254% higher from last year's ₱218 Million.

Net income for the year 2013 increased by ₱347 Million from ₱192 Million in 2012 to ₱539 million in 2013 or a 180% growth.

Specialty Retail

Revenue from the Specialty Retail Segment increased to ₱18.9 Billion in 2013 or 29% growth from last year's ₱14.7 Billion. The growth in revenue is mainly attributable to the increase in sales volume of the segment.

Income from operations increased to ₱391 Million in 2013 or 396% higher from last year's (₱132) Million.

Net income for the year 2013 increased by ₱377 Million from (₱117) Million in 2012 to ₱260 million in 2013 or a 323% growth.

Table 3: Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group:

(In Millions)	**2013**	2012	***INCREASE (DECREASE)***	%
ASSETS				
Current Assets				
Cash and cash equivalents	**14,744**	999	***13,745***	***1375%***
Receivables – net	**2,819**	19	***2,800***	***15041%***
Investment in trading securities	**29**		***29***	***100%***
Available-for-sale financial assets	**11**	41	***-30***	***-72%***
Short-term investments	**500**		***500***	***100%***
Inventories	**10,355**		***10,355***	***100%***
Prepaid expenses and other current assets	**1,703**	2	***1,701***	***76491%***
	30,161	1,061	***29,100***	***2744%***
Noncurrent Assets				
Property and equipment - net	**13,481**	160	***13,320***	***8306%***
Investment property - net	**11,672**		***11,672***	***100%***
Intangible assets	**18,001**		***18,001***	***100%***
Investments	**440**		***440***	***100%***
Deferred oil and mineral exploration costs	**119**	150	***-31***	***-21%***
Deferred tax assets - net	**53**	5	***48***	***943%***
Others	**1,196**	3	***1,193***	***44886%***
	44,961	318	***44,643***	***14027%***
TOTAL ASSETS	**75,122**	1,379	***73,743***	***5348%***

LIABILITIES AND EQUITY				
L I A B I L I T I E S				
Current Liabilities				
Accounts payable, accrued expenses and other liabilities	**11,852**	3	***11,849***	***464882%***
Income tax payable	**680**		***680***	***100%***
Loans payable and current portion of long-term debts	**1,267**		***1,267***	***100%***
Trust receipts payable	**17**		***17***	***100%***
Advances from related parties	**173**		***173***	***100%***
	13,988	3	***13,985***	***467361%***
Noncurrent Liabilities				
Retirement benefits liability	**293**		***293***	***100%***
Deferred tax liabilities	**939**		***939***	***100%***
Long term debts - net of current portion	**3,452**		***3,452***	***100%***
Others	**1,620**		***1,620***	***100%***
	6,303		***6,303***	***100%***
TOTAL LIABILITIES	**20,291**	3	***20,288***	***678016%***
EQUITY				
Capital stock	**7,405**	1,275	***6,130***	***481%***
Treasury shares	**-245**		***-245***	***-100%***
Additional paid-in capital	**10,004**		***10,004***	***100%***
Reserve for retirement plan - net of tax	**-3**		***-3***	***-100%***
Cumulative unrealized gain on AFS financial assets	**5**	3	***2***	***74%***
Retained earnings	**22,670**	98	***22,572***	***22985%***
Total Equity Attributable to Equity Holders of Parent Company	**39,837**	1,376	***38,461***	***2796%***
Non-controlling interest	**14,994**		***14,994***	***100%***
TOTAL EQUITY	**54,831**	1,376	***53,455***	***3885%***
TOTAL LIABILITIES AND EQUITY	**75,122**	1,379	***73,743***	***5348%***

The observable out-of-range fluctuations between the 2013 and 2012 consolidated figures are mainly attributable to the relative effectivity dates of the consolidation of the acquired subsidiaries through share swap transaction in June 2013 whereby the consolidated assets and liabilities for 2013 comparative period included the balances of the subsidiaries starting the month of June 2013 only whereas the Group's consolidated assets and liabilities for the year 2012 included only the balances of the Parent Company. **(Please see Table 4 below)**

Table 4 Pro-forma Consolidated Statements of Financial Position

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

	2013	%	2012	%	INCREASE (DECREASE)	%
ASSETS						
Current Assets						
Cash and cash equivalents	9,151	12%	10,701	17%	-1,550	-14%
Receivables - net	4,740	6%	3,371	5%	1,369	41%
Investment in trading securities	29	0%	35	0%	-6	-17%
Available-for-sale financial assets	11	0%	51	0%	-39	-77%
Short-term investments	500	1%	-	0%	500	100%
Inventories	11,921	15%	7,100	11%	4,820	68%
Prepaid expenses and other current assets	2,078	3%	1,428	2%	649	45%
	28,430	36%	22,687	36%	5,743	25%
Property and equipment - net	14,700	19%	10,527	17%	4,173	40%
Investment properties - net	12,673	16%	11,750	18%	923	8%
Intangible assets	21,418	27%	17,432	27%	3,985	23%
Investments	596	1%	-	0%	596	100%
Deferred oil and mineral exploration costs	119	0%	150	0%	-31	-21%
Deferred tax assets - net	137	0%	40	0%	97	243%
Others	1,254	2%	1,184	2%	70	6%
	50,896	64%	41,084	64%	9,812	24%
TOTAL ASSETS	79,326	100%	63,771	100%	15,555	24%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Accounts payable, accrued expenses and other liabilities	11,615	48%	10,583	42%	1,032	10%
Income tax payable	693	3%	500	2%	193	39%
Current portion of long-term borrowing	1,902	8%	4,670	19%	-2,768	-59%
Trust receipts payable	17	0%	8	0%	8	103%
Dividends payable	407	2%	-	0%	407	100%
Due to related parties	2,515	10%	1,781	7%	734	41%
Others	414	2%	-	0%	414	100%
	17,562	73%	17,541	70%	21	0%

Noncurrent Liabilities						
Retirement benefits liability	319	1%	164	1%	156	95%
Deposits for future stock subscription	150	1%	-	0%	150	100%
Deferred tax liabilities	939	4%	1,059	4%	-121	-11%
Long-term loans payable - net of debt issue costs	3,520	15%	4,909	20%	-1,389	-28%
Others	1,694	7%	1,309	5%	384	29%
	6,621	27%	7,441	30%	-820	-11%
TOTAL LIABILITIES	24,183	100%	24,982	100%	-799	-3%
EQUITY						
Capital stock	7,405	13%	6,223	16%	1,183	19%
Additional paid-in capital	9,635	17%	24	0%	9,611	40681%
Reserve for retirement plan - net of tax	-3	0%	-	0%	-3	-1100%
Remeasurements	-8	0%	-	0%	-8	-100%
Treasury stock	-245	0%	-245	-1%	-	0%
Reserve for fluctuations in value of AFS financial assets	5	0%	3	0%	2	74%
Retained earnings	23,360	42%	19,307	50%	4,053	21%
Total Equity Attributable to Equity Holders of Parent Company	40,149	73%	25,311	65%	14,838	59%
Non-controlling interest	14,994	27%	13,477	35%	1,517	11%
	55,143	100%	38,788	100%	16,354	42%
TOTAL LIABILITIES AND EQUITY	79,326		63,771		15,555	24%

Current Assets

Cash and cash equivalents amounted to ₱9.15 Billion as at December 31, 2013 with a decrease of ₱1.55 Billion from December 31, 2012 balance or an 14% decrease due basically to the net effect of the Parent Company's receipt of the ₱12 billion worth of capital stocks subscribed and paid by various new investors in June 2013 as the aftermath of the primary placement offering in May 2013, and the significant decrease in cash of the retail business because of its payment of its long-term corporate notes, settlement of trade liabilities, payment of 2012 cash dividends and capital expenditure for new stores expansion and acquisition.

Receivables increased by 41% from December 31, 2012 balance of ₱3.37 Billion to this year's balance of ₱4.74 Billion due mainly to the increase in sales of Retail segment and Specialty Retail.

Inventories increased by 68% from 2012 balance of ₱7.10 Billion to this year's balance of ₱11.92 Billion due to the retail segment's expansion and additional stocking requirement of the new and existing stores as well as the additional stocking requirements of the liquor distribution segment preparatory to the 4th quarter incremental sales volume. Bulk of the inventory account pertains to the merchandise inventory stocks of the retail segment amounting to ₱9.44 Billion.

Prepayments and other current assets increased by ₱649 Million or 45% at the end of December 31, 2013, due primarily to rent, insurance, taxes, permits and licenses and input taxes in relation to opening of new stores and advances made to suppliers.

Non-current Assets

As at December 31, 2013 and December 31, 2012, total non-current assets amounted to ₱50.90 Billion or 64% of total assets, and ₱41.08 Billion or 64% of total assets, respectively, for an increase of ₱9.3 Billion or 14%.

Property and equipment pertains to the buildings and equipment mostly owned by the Retail segment. Book values of property and equipment increased by ₱4.17 Billion from ₱10.53 Billion in December 2013 to ₱14.7 Billion as at December 31, 2013 due principally to additional capital expenditures incurred by the Retail Segment for the development and establishment of new stores.

Investment properties pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of property and equipment increased by ₱923 million or 8% from ₱11.75 Billion in December 2012 to ₱12.67 Billion in December 2013 due principally to the additional commercial mall assets.

Investments amounted to ₱596 Million in December 2013. This was due mainly to equity investments made by the Retail Segment in July 2013, into a joint venture company with Varejo Corp. to pursue the establishment and operations of convenient stores in the Philippines. Likewise, some equity investments arising from acquisition by Liquigaz Philippine Corporation contributed to the increase in this account.

Other non-current assets increased by ₱70 million from ₱1.18 Billion in December 2012 to ₱1.25 Billion in December 2013. About 93% of these assets are attributable to the Retail Segment and the increase was primarily due to additional security deposits and advance rentals in relation to new leases acquired for new stores development for the Retail Segment as well as accrued rental income (PAS17) pertaining to future periods for both the Real Estate and the Retail Segments.

Current Liabilities

As at December 31, 2013 and 2012, total current liabilities amounted to ₱17,56 Billion and ₱17.54 Billion respectively, for an increase of ₱21 Million or 0.001%.

About 86% of accounts payable and accrued expenses pertains to the trade payable to suppliers by the Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate segment and suppliers of Liquor Distribution. The increase by ₱1.03 Billion or 10% was primarily due to was primarily due to purchases of inventories for new stores opened in the current year by the Retail Segment. In addition, cash dividend amounting to ₱830 million was declared by the Retail Segment during 2013.

Significant portion of the income tax payable pertains to that of the Retail Segment. The increase by ₱193 Million from ₱500 million as at December 2012 to ₱693 Million as at December 2013 is mainly due to additional income taxes incurred relative to the increase in net taxable income during 2013 and 2012.

Trust receipts payable increased by ₱8 Million due to additional purchases made for goods covered under the trust receipts agreement by the Retail Segment.

Current portion of long-term borrowing account decreased by ₱2.77 Billion mainly due to net effect of settlement made by the Retail Segment to refinance its expansion.

Noncurrent Liabilities

As at December 31, 2013 and 2012, total non-current liabilities amounted to ₱6.62 Billion and ₱7.44 Billion, respectively, for a decrease of ₱820 Million or 11% significantly attributable to settlement of corporate notes by the Retail Segment in 201 and partially offset by the securing new loans with banks to finance its expansion.

About 90% of the retirement benefits liability pertains mostly to the Retail segment. The increase was due to recognition of obligation incurred based on the latest independent actuarial report in accordance with PAS 19 – ***Employee Benefits.***

The movement of Long-term loans payable - net of debt issue costs pertains to the settlement of corporate notes by the Retail segment in 2013, partially offset by the securing new loans with banks to finance its expansion.

Other non-current liabilities, which is primarily composed of non-current accrued rent, increased by ₱384 Million or 29% from ₱1.30 Billion as at December 31, 2012 to ₱1.69 Billion as at December 31, 2013 due to recognition of rent expense for lease contracts entered into by the Group and its subsidiaries in compliance with PAS 17 – ***Leases.***

Source and Use of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
	2013	2012
Net cash flows from (used in) operating activities	**718,535,509**	(2,690,941)
Net cash flows from investing activities	**1,164,922,242**	21,283,217
Net cash flows from financing activities	**9,726,166,106**	-
Net increase in cash and cash equivalents	**11,609,623,857**	18,097,685

Net cash used from operating activities during the current period amounting to about ₱718 Million is basically attributable to the net effect of the cash generated from the operation.

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

Net cash inflows from financing activities principally resulted from the net proceeds of ₱12 Billion from issuance of capital stocks reduced by the payments made to loan borrowings and finance costs, the effect of consolidation of a newly-acquired subsidiaries and reduced by loan repayments by the Retail segment as well as finance costs paid during the year.

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..

Material Events and Uncertainties

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

(i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no unusual transactions during the year. However, there are material changes in the financial statements caused by the consolidation of 12 companies as effect of the subscription agreement entered on April 16, 2013. Details of changes are discussed as follows:

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

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

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

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

On July 8, 2013, the Retail segment entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores to incorporate 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.

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

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

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

On May 16, 2014, Cosco Capital, Inc. entered into a ₱5 Billion Corporate Notes Facility Agreement with syndicate of institutional lenders composed of banks and insurance companies. The facility consists of seven (7) year and ten (10) year notes. The funds will be used for strategic acquisition and general corporate notes.

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

On July 21. 2014, Canaria Holdings Corporation, a Philippine registered corporation which is owned 90% by Cosco Capital, Inc. entered into a Deed of Assignment with PR Gaz, Inc. for the acquisition of 100% equity of Liquigaz Philippines involving a total consideration of about ₱3.456 Billion.

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

On June 27, 2014, the Board of Directors of Cosco Capital, Inc. declared and approved the payment of cash dividends amounting to ₱0.06 per share payable to all qualified shareholders as of the record date of July 11, 2014 payable on July 28, 2014.

On December 18, 2014, Board of Directors of Cosco Capital, Inc. declared and approved the payment of cash dividends amounting to ₱0.08 per share payable to all qualified shareholders as of the record date of January 12, 2015 payable on February 5, 2015.

On December 18, 2014, the BOD approved to buy back the Company's shares up to P1.00 billion or approximately 30.0 million shares within one year from the approval or until November 4, 2015. As at December 31, 2014, the Company already bought back 472,200 shares with acquisition cost of ₱3,963,490 and was classified in the Company's book as treasury shares

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

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

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

(vi) Sources of liquidity – Funding will be sourced from internally generated cash flow, cash recently received from the sale of shares to the equity market and from debt market;

(vii) 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;

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

(ix) 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;

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

(xi) 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.

Item 7 Financial Statements

Please see the attached consolidated financial statements and schedules.

Item 8 Information on Independent Accountant and Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

For year 2014, the Group engaged R.G. Manabat & Co. (KPMG) as its external auditor to render audit on annual financial statements in compliance with the regular filings to BIR, SEC, PSE and other government regulatory agencies.

Pursuant to SRC Rule 68, Paragraph 3 (b) (iv) and (ix) (Rotation of External Auditors) which states that the signing partner shall be rotated after every five (5) years of engagement with a two-year cooling off period for the re-engagement of the same signing partner, the Company engaged Mr. Darwin P. Virocel of R.G. Manabat & Co. for the examination of the Company's financial statements from 2013 to 2014.

Aggregate audit fee for the year 2014 and 2013 amounted to ₱3,220,500 and ₱2,195,000, respectively, exclusive of out-of-pocket expenses and value added tax.

There are no changes in and disagreements with accountants on any accounting and financial disclosures during the past two years ended December 31, 2014 or during any subsequent interim period.

PART III CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers

Lucio L. Co, 59, Filipino, Chairman of the Board

Mr. Co has been a director of the Company since October 1997. Mr. Co has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

He is also currently the Chairman of Puregold Price Club, Inc., Da Vinci Capital Holdings, Inc. and Director of Philippine Bank of Communications (publicly-listed companies), Chairman and President for Bellagio Holdings, Inc., Canaria Holdings, Corp., Ellimac Prime Holdings, Inc., Forbes Corporation, Invescap Incorporated, PG Holdings, Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., PPCI – Subic, Inc., Pure Petroleum Corp., Chairman for Union Equities, Inc., San Jose City I Power Corp., Union Energy Corporation, Alcorn Petroleum and Minerals Corporation, CHMI Hotels and Residences, Inc., Entenso Equities, Inc., Liquigaz Philippines Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free Subic, Inc., Puregold Finance, Inc., and Puregold Realty Leasing and Management, Inc. He is also Director of 118 Holdings, Inc., Catuiran Hydro Power Corporation, Illido Management Corporation, Kareila Management Corporation, LCCK & Sons Realty, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Patagonia Holdings Corp., and Premier Wine and Spirits, Inc. He is a member of the Board of Trustees of Adamson University. Mr. Co has been an entrepreneur for the past 40 years.

Leonardo B. Dayao, 71, Filipino, President

Mr. Dayao has been a director and vice-chairman of the Company since October 1997 and elected as President in June 2010. Mr. Dayao has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

He is also currently the President of Puregold Price Club, Inc. and Director of Philippine Bank of Communications (both publicly-listed companies). He also serves as President for Puregold Finance Inc., Alcorn Petroleum and Minerals Corporation, CHMI Hotels and Residences Inc. Puregold Duty Free Subic Inc., Union Energy Corporation, Fertuna Holdings Corp., Catuiran HydroPower Corporation, San Jose City 1 Power Corporation and Vice-President of 118 Holdings, Inc., Alerce Holdings Corp., Ellimac Prime Holdings, Inc., KMC Realty Corporation, Puregold Duty Free, Inc., Bellagio Holdings, Inc. Union Equities, Inc., Puregold Properties, Inc., and VFC Land Resources, Inc. He is the Chairman of PSMT Philippines Inc., and Vice-Chairman of Liquigaz Philippines Corporation. Mr. Dayao is also a Director of Entenso Equities, Inc., Nation Realty Inc., Puregold Realty Leasing and Management Inc., Fontana Development Corporation, Fontana Resort and Country Club, Inc. Mr. Dayao was previously connected with Ayala Investment and Development Company as Vice-President from 1980 to 1984 and Bank of the Philippine Islands as Vice President from 1984 to 1994. Mr. Dayao received a Bachelor of Science degree in Commerce from the Far Eastern University. He is a Certified Public Accountant. He has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

Susan P. Co, 57, Filipino, Director

Mrs. Co was elected Director of the Company on August 30, 2013. Mrs. Co has been duly elected to hold office as Director for one year and until her successor is elected and qualified.

She is also currently Director of Puregold Price Club, Inc. and Philippine Bank of Communications (both publicly-listed companies), Chairman and President of Cosco Price, Inc., Star Alliance, Inc., KB Space Holdings, Inc., and Treasurer of Puregold Finance, Inc., PPCI Subic, Inc. Union Equities, Inc., Union Energy Corporation, Bellagio Holdings, Inc., Alcorn Petroleum and Minerals Corporation, LCCK Foundations Inc., Luis Co Chi Kiat Foundation, Inc. and NE Pacific Shopping Centers Corporation. She is also a Director of Kareila Management Corporation, PPCI-Subic, Inc., Ellimac Prime Holdings, Inc., 118 Holdings, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Patagonia Holdings Corp., San Jose City 1 Power Corporation, Blue Ocean Holdings, Inc., CHMI Hotels and Residences, Inc. Premier Wine and Spirits, Inc., Pure Petroleum Corp., Forbes Company, KMC Realty Company, Puregold Duty Free, Inc., Puregold Duty Free (Subic), Inc., Illido Management Corporation, League One Inc., and Puregold Properties, Inc. Ms. Co received a Bachelor of Science in Commerce from the University of Santo Tomas.

Atty. Eduardo F. Hernandez, 84, Filipino, Director

Atty. Eduardo F. Hernandez is one of the incorporators of the Company. He serves as Chairman of the Board from 1987 to present and Company President from 1987 to June 2010. Atty. Hernandez has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

He was the Executive Vice President and General Manager of Alcorn Production Philippines, Inc. He currently serves as a director for PNOC-EC and is a Senior Counsel of Romulo, Mabanta, Buenaventura & Sayoc Law Office. Atty. Hernandez obtained his Law Degree in University of the Philippines in 1953. He is the author of various law books such as: (a) Landowners' Rights published in 2002, (b) Philippine Admiralty and Marine Law, published in 1977, (c) Immigration Law and Practice in the Philippines, published in 1969, (d) co-author with Justice Fernando Hernandez, Criminal Procedure, 3rd Edition, published in 1969.

Levi Labra, 56, Filipino, Director

Mr. Levi Labra was elected Director of the Company on August 30, 2013 and he will hold office as Director for one year and until his successor is elected and qualified.

Mr. Labra was the former Director for Customer Business Development for Asia Pacific Region of Procter and Gamble Distributions, Inc. He was with P&G for 35 years and involved himself in sales management, distributor operations, logistics, forecasting, among others. He is a graduate of University of San Carlos with a Bachelor of Science in Business Administration.

Robert Y. Cokeng, 63, Filipino, Independent Director

Mr. Cokeng has been an independent director of the Company since September 1987. Mr. Cokeng has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

He also serves as a director and/or officer in the following companies: Chairman, President and CEO – F&J Prince Holdings Corporation (PSE-Listed Company); President and CEO–Magellan Capital Holdings, Corp.; President and CEO–Magellan Utilities Dev't. Corp.; Chairman, President and CEO–Consolidated Tobacco Ind. of the Phils.; Chairman and President–Center Industrial and Investment, Inc.; Vice-Chairman–Pointwest Technologies Corp. and Pointwest Innovations Corp.; Chairman-Exec. Committee – Business Process Outsourcing International; Chairman–IPADS Developers, Inc. He was also the Senior Investment Officer and Philippine Country Officer of International Finance Corporation (World Bank Group) from 1976 to 1986. He worked on investments in East Asia from Washington D.C. Headquarters and from Regional Mission for East Asia located in Manila. He graduated Magna Cum Laude in Ateneo de Manila University with degree of Bachelor of Arts Economics Honors Program. He also earned his Master in Business Administration in Harvard University with High Distinction and elected a Baker Scholar.

Oscar S. Reyes, 68, Filipino, Independent Director

Mr. Reyes has been an independent director of the Company since July 2009. Mr.Cokeng has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

He also serves as a director and/or officer in the following companies: Meralco as Chief Operating Officer and Director, Advisory Board member of Philippine Long Distance Telephone Co. and Chairman of Pepsi Cola Products Phils Inc., MRL Gold Philippines, Inc. and Link Edge Inc. He is also a member of the Board of Directors of Bank of the Philippine Islands, Ayala Land Inc., Manila Water Co., Smart Communications Inc., Basic Energy Corp., Sun Life Financial PhilsInc and Sun Life Prosperity Funds. Mr. Reyes spent 21 years with the Shell Group, most notably as Country Chairman of the Shell Companies in the Phils., Chairman and President of Pilipinas Shell Petroleum Corp. and Managing Director of Shell Philippines Exploration B.V.

Atty. Jose S. Santos, Jr., 74, Filipino, Corporate Secretary

Atty. Jose Santos has been the Corporate Secretary of the Company since July 1999. He also serves as legal counsel to the Puregold Group of Companies, Campos Rueda Corporation, and Willis International Sales Corporation. He has been a practicing lawyer since 1962.

Atty. Candy H. Dacanay-Datuon, 36, Filipino, Assistant Corporate Secretary

Atty. Dacanay-Datuon was appointed Assistant Corporate Secretary of the Company in December 2012.

Ms. Dacanay is a lawyer and a member of the Philippine Bar since 2004. She has been employed as counsel for Puregold Group of Companies since 2004. She received a Bachelor of Arts, Cum Laude in Political Science from the Colegio de San Juan de Letran and a Bachelor of Laws Degree from the University of Santo Tomas in 2003 and admitted to the Philippine Bar in 2004.

Item 10. Executive Compensation

Below are the compensation of executives:

DIRECTORS	2014	2013	2012
LUCIO L. CO	**380,000**	146,200	105,400
LEONARDO B. DAYAO	**380,000**	146,200	118,575
EDUARDO F. HERNANDEZ	**300,000**	137,700	118,575
JAIME S. DELA ROSA	-	61,200	105,400
TEOFILO A. HENSON	-	57,200	65,875
OSCAR S. REYES	**250,000**	82,025	105,400
ROBERT Y. COKENG	**330,000**	137,700	92,225
SUSAN P. CO	**300,000**	85,000	-
LEVI B. LABRA	**350,000**	85,000	-

Significant employees:

Everyone is a member of the team working together to achieve the Group's vision and mission. Thus, they are all treated significant.

Family Relationships:

Mrs. Susan P. Co is the wife of Mr. Lucio L. Co., Chairman of the Board.

Involvement in certain Legal Proceedings:

The Directors and Executive Officers of the Company are not involved in any bankruptcy petition by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Compensation of Directors

The members of the Board of Directors of the Corporation are entitled to a director's fee in the amount of ₱50,000 per Board Meeting attended and ₱30,000 per Committee meeting.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management as of December 31, 2014

The Company has the following information about the person or group of persons known to be record or beneficial owners of more than 5% of the capital stock of the Company:

Title of class	Name, address of record owner	Relationship with the Company	Beneficial owner and relationship with the record owner	Citizenship	Number of shares held	%
Common	Lucio L. Co, No. 22 Pili Avenue, South Porbes Park, Makati City	Major Stockholder	Direct and Indirect	Filipino	2,293,102,692	31.30%
Common	Susan P. Co	Major Stockholder	Direct and Indirect	Filipino	1,780,182	24.04%

To the extent known to the Company, there is no person or group of persons holding more than 5% of the common shares by virtue of a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the Company and the Securities and Exchange Commission.

Below are the holdings of the Directors and Executive Officers of the Company:

Shareholdings of Directors/Officers	Direct	Indirect	Total
Lucio L. Co, Director and Chairman	2,282,116,129	35,386,963	2,317,503,092
Leonardo B. Dayao, Director and President	163,778	393,602	557,380
Atty. Eduardo F. Hernandez, Director	120,000	-	120,000
Susan P. Co,Director	1,777,124,852	3,057,378	1,780,182,230
Levi B. Labra, Director	-	100	100
Robert Y. Cokeng, Independent Director	-	8,155,000	8,155,000
Oscar S. Reyes, Independent Director	54,264	-	54,264
	4,059,579,023	46,993,043	4,106,572,066

Change in Control

For the fiscal year, there has been no arrangements which resulted in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Group, in the ordinary course of its business, engages in a variety of arms-length transactions with related parties. Certain related party transactions are described below:

The Retail business 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.

The Liquor segment distributes wines and spirits to the retail business transacted at arms-length.

Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties. The terms under which the Group binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Group uses the terms and provisions it has in place for similar contracts with unrelated third parties as a benchmark for its agreements with related parties. **(For more detailed information please refer to the related party transactions as disclosed in the Audited Financial Statements for the Year 2014)**

PART IV CORPORATE GOVERNANCE

See Annex D.

PART V EXHIBITS AND SCHEDULES

Exhibits

Annex A Consolidated Financial Statements
Annex B Consolidated Pro-forma Financial Statements and Segment Information
Annex C Supplementary schedules
Annex D Corporate Governance

Reports on SEC Form 17-C

The following are the summary of the SEC Form 17-C filed to SEC by the Company:

Date of Report	Date Filed with SEC	Particulars
29 January 2014	30 January 2014	Concepcion Copper Project, Iloilo Option Agreement was signed by Cosco Capital, Inc. and Vale Exploration Philippines, Inc., a wholly subsidiary of Vale S.A (Vale). This agreement gives Vale a sole option to purchase Cosco's rights, interests and title over the copper project located at Concepcion, Iloilo (Tenement), and grants the former exclusive right to undertake exploration activities required to evaluate and assess the possibility of economic accumulations of copper deposits in the said tenement. Vale assumes possession and exploration of the tenement subject to terms and conditions stated in the Agreement.
17 February 2014	18 February 2014	Agreement to Purchase Office Warehouse, Inc.

		Cosco Capital, Inc. signed an Agreement to Purchase 100% of the share capital of Office Warehouse, Inc., a retailer of office and school products with 47 stores.
26 February 2014	26 February 2014	Additional Listing of 1,142,857,143 common shares of Cosco Capital, Inc. was held on February 25, 2014 at the Philippine Stock Exchange. The said shares are equally owned by Mr. Lucio L. Co and Mrs. Susan P. Co. These shares were issued last May 30, 2013 during the Placing and Subscription Transaction of Cosco Capital, Inc. The said shares are subject to lock – up agreement executed by Cosco Capital, Inc. , Mr. Lucio L. Co, Mrs. Susan P. Co and Metrobank – Trust Banking Group. The shares will be locked – up for a period of 180 days from its listing date. The lock-up is pursuant to the Interpretation of the Rule on Additional Listing of Shares for Placing and Subscription Transaction.
28 February 2014	3 March 2014	Acquisition of NE Pacific Mall Cosco Capital, Inc. acquired 100% of the capital stock of NE Pacific Shopping Centers Corporation. NE Pacific Shopping Centers Corporation owns NE Pacific Mall, presently the largest commercial mall in Cabanatuan, Nueva Ecija.
31. March 2014	2. April 2014	Pursuant to Section 17.14 & 17.15 of the PSE Revised Disclosure Rules, the following are service contracts where cosco has participating interest: Service Contract No. Contract Area SC No. 14 Northwest Palawan SC No. 6-A Northwest Palawan SC No. 6-B Northwest Palawan SC No. 51 Northwest Palawan
31 March 2014	2 April 2014	Pursuant to Section 17.14 & 17.15 of the PSE Revised Disclosure Rules the following are service contracts were Cosco has participating interest: MPSA No. Location 066-97-VIII Isabel-Merida, Leyte

		EP No. Location EP-009-2010-V Municipalities of OAS and Pio Duran, Province of Albay EP-07-2010-VI Municipality of Concepcion, Province of Iloilo EPA-IV-B-175 Barangay Culandanum, Cabigaan, Manaili and Apoc- Apoc Municipality of Aborlan and Barangay Dumagueña, Municipality of Narra.
10 April 2014 2 May 2014	11 April 2014 2 May 2014	Board Approval of Consolidated Financial Statements of Cosco Capital, Inc. Acquisition of Office Warehouse, Inc. On May 1, 2014, Cosco Capital, Inc. finalized the acquisition of the outstanding shares of Office Warehouse, Inc. The acquisition is in accordance with the Agreement to Purchase signed on February 18, 2014. Office Warehouse, Inc. is a retailer of office and school supplies with 47 stores.
12 May 2014	16 May 2014	Result of Board Meeting dated May 12, 2014 The Board of Directors of Cosco Capital, Inc. approved the following: 1. 1st Quarter Report CY 2014 2. Authority to enter into a 5 Billion Corporate Notes Facility and authorizing Mr. Lucio L. Co, Chairman, and/or Mr. Leonardo B. Dayao, President to negotiate, sign in behalf of the Corporation.
05/16/14	16. May 2014	Signing of Corporate Notes Facility and Press Release Cosco Capital, Inc. entered into a Five Billion Corporate Notes Facility Agreement with syndicate of institutional lenders composed of banks and insurance companies. The facility consists of 7 year and 10 year notes. The funds will be used for strategic acquisition and for general corporate purposes.

21 May 2014	21 May 2014	Service Contract No. 51 Otto Energy Investments, Ltd. (Otto), the Operator, notified partners that it has elected to withdraw from SC 51. Otto recently completed its post-well analysis of the Duhat-2 well which was drilled in July 2013. The Duhat-2 well was abandoned before reaching its target horizon after the well encountered high pressure water at high flow rates. Otto's withdrawal from SC51 and transfer of its participating interest to the remaining parties are subject to the approval of the Department of Energy. Cosco Capital, Inc. formerly Alcorn Gold Resources Corporation, currently has 9.32% participating interest in SC 51.
2 June 2014	**2 June 2014**	Notice of Listing of 575 Million Shares, Change of principal address and agenda for Annual Stockholders' Meeting On May 30, 2014, the Board approved the following Items: 1. Listing of 575 Million Shares of Cosco Capital, Inc. - the shares were subscribed on April 26, 2010 pursuant to the private placement of the Lucio L. Co Group representing 25% of the increase of the authorized capital stock from 700 million to 3 Billion Pesos of Cosco Capital, Inc. The Securities and Exchange Commission approved the increase on June 8, 2010. Lucio L. Co Group refers to: Lucio L. Co – 50 Million shares Susan P. Co – 20 Million shares VFC Land Resources, Inc. - 125 Million shares Pajusco Realty Corporation – 100 Million shares KMC Realty Corporation – 100 Million shares Ellimac Prime Holdings, Inc. - 100 Million shares Ferdinand Vincent P. Co – 20 Million shares Pamela Justine P. Co – 20 Million shares

		Camille Clarisse P. Co – 20 Million shares Katrina Marie P. Co – 20 Million shares 2.Amendment of Article III of the Articles of Incorporation Pursuant to SEC Memorandum No. 6 issued on February 20, 2014, the Board approved the amendment of Articles III of the Company's Article into: "THIRD. That the place where the principal office of the Corporation is to be established or located is at No. 900 Romualdez St., Paco, Manila" 3. Agenda for the Annual Stockholders Meeting The annual stockholder's meeting of Cosco Capital, Inc. will be held on June 27, 2014, 2:00 p.m. At the Acacia Hotel, Alabang, Muntinlupa City., Metro Manila, with the following Agenda: 1. Call to order 2. Proof of notice and quorum 3. Message of the Chairman and the President and presentation of the Audited Financial Statements as of December 31, 2013 4. Approval of the Minutes of the August 30, 2013 Annual Stockholders' Meeting and ratification of all acts and resolutions of the Board of Directors and Management from the date of the last Stockholders' Meeting 5. Election of seven (7) directors inclusive of two (2) independent directors. 6. Approval of the listing of 575,000,000 shares of Cosco Capital, Inc. subscribed by the Lucio L. Co Group on April 26, 2010 representing 25% of the increase in authorized capital stock of the Company from 700 Million to 3 Billion pesos and waiver of the requirement to conduct a rights or public offering by the majority of the outstanding shares held by the attending minority stockholders pursuant to Section 5, Part A, Article V to the Revised Listing Rules of the Philippine Stock Exchange 7. Amendment of Article III of the Articles of Incorporation

		8. Appointment of External Auditor 9. Other Matters 10. Adjournment
13 June 2014	13 June 2014	On June 11, 2014, Cosco Capital, Inc. and Petroleum and Minerals Corporation entered into a Deed of Assignment of rights and interest over Service Contracts including the transfer of assets, privileges duties and obligations, particularly: Oil Service Contract Co. Participating Interest 1. SC 14-C2 1.53% 2. SC 14 B1 13.55% 3. SC 14D 5.84% 4. SC 6A-Octon 0.50% 5. SC 6A-North Block .57% 6. SC 6B 2.11% 7. SC 51 9.32% Mineral Contract/Application Co. Participating Interest 8. EP-007-2010-VI 100.00% The said transfer is in line with corporate restructuring undertaken by Cosco Capital, Inc. since May 2013. Alcorn Petroleum and Minerals Corporation is a wholly subsidiary of Cosco Capital, Inc.
27 June 2014	30 June 2014	Result of Board Meeting date June 27, 2014 On June 27, 2014, the Board of Directors of Cosco Capital Inc. approved the following: 1. Declaration of special cash dividend of 6 centavos per share, record date on July 11, 2014 and Payment date on July 28, 2014. The cash dividend represents 13% of the previous year's net income. 2. Appointment of the following officers for the year 2014: Lucio L. Co – Chairman Atty. Eduardo F. Hernandez – Vice-Chairman Leonardo B. Dayao – President Atty. Jose S. Santos, Jr. - Corporate Secretary Atty. Candy H. Dacanay-Datuon – Asst. Corporate Secretary Mary S. Demetillo – Chief Finance Officer

		3. Membership of Board Committees: Executive Committee: Lucio L. Co, Chairman, Leonardo B. Dayao, Susan P. Co, Atty. Eduardo F. Hernandez, and Levi Labra as members. Audit Committee: Oscar S. Reyes, Chairman, Lucio L. Co and Leonardo B. Dayao, members. Nomination Committee: Susan P. Co, Chairman, Leonardo B. Dayao, Oscar S. Reyes and Levi Labra, members. Compensation Committee: Lucio L. Co, Chairman, Leonardo B. Dayao, Robert Y. Cokeng and Atty. Eduardo Hernandez, members. 4. Approval of the Amended Revised Code of Corporate Governance: Pursuant to SEC Memorandum Circular No. 9 Series of 2014, the Board has approved to revise and adopt the amendments of the SEC in the Company's Code of Corporate Governance to include the provisions on stakeholders.
30 September 2014	1 October 2014	Appointing Mr. Teodoro A. Polinga as new **Comptroller for Cosco Capital, Inc.**
20 October 2014	21 October 2014	Cosco Capital, Inc. through its subsidiary Ellimac Prime Holdings, Inc. signed a Contract of Lease with Rotonda Development Corporation for the lease of 7,168 square meters of land located along Liwasang Kalayaan, Marikina Heights, Marikina City. Cosco Capital, Inc. intends to use the leased premises for development and operation of a Commercial Center.
23 October 2014	29 October 2014	Cosco Capital, Inc. through its subsidiary Ellimac Prime Holdings, Inc. signed a Deed of Absolute Sale for the purchase of 3,192 square meters of land located at A. Mabini St., Poblacion, Biñan, Laguna. Cosco Capital, Inc. intends to use the said premises for the establishment and development of a Community Mall at the Center of Biñan, Laguna.

18 December 2014	19 December 2014	Result of Board Meeting dated December 18, 2014 The Board approved the following: 1. External Audit Plan 2015 2. Cash Dividend Declaration with the following details: Regular Dividend of PHP 0.06 per share Special Dividend of PHP 0.02 per share Total of PHP 0.08 per share or 592 Million Record date – January 12, 2015 Payment date – February 5, 2015 3. Authority to buy-back of Cosco shares up to PHP1 Billion worth of shares. The Board authorized the Chairman and President to execute buy-back in behalf of the Company.
22 December 2014	23 December 2014	Cosco Buy Back of Shares Cosco Capital, Inc. bought a total of 472,200 common shares dated December 22, 2014.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Manila on April ___, 2015.

COSCO CAPITAL, INC.
Issuer

By:

LUCIO L. CO
Chairman
TIN No. 108-975-971

LEONARDO B. DAYAO
President
TIN No. 135-546-815

TEODORO A. POLINGA
Comptroller
TIN No. 104-883-077

JOSE S. SANTOS, JR.
Corporate Secretary
TIN No. 136-370-998

SUBSCRIBED AND SWORN to before me this APR 15 2015 day of April 2015 in the City of Manila, affiants presented competent proof of their identities.

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Page No. 92
Book No. XXI
Series of 2015

ATTY. HENRY D. ADASA
Notary Public City of Manila
Comm. No. 2014-162 until Dec. 31, 20
S C Roll No. 29379
FRC Bldg. Taft P Gil st., Malate MLA
IBP No. 939450 01/05/15 Z.N.
PTR No. 3824852/ 01/05/15 MLA
MCLE Compliance No. 111-002348

ANNEX A

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

Contents

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 8 1 3 7 5 4

Company Name

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

Principal Office (No./Street/Barangay/City/Town)Province)

900 Romualdez Street, Paco Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ted Polinga			

Contact Person's Address

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013 and 2012

cosco capital
Incorporated

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIOATEO FINANCIAL STATEMENTS

The management of **COSCO CAPITAL, INC. ANO SUBSIOIARIES** (the "Group"), is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ______________________
LUCIO L. CO/Chairman of the Board

Signature ______________________
LEONARDO B. DAYAO/President

Signature ______________________
TEODORO A. POLINGA/ Group Comptroller

SUBSCRIBED AND SWORN to before me this APR 1 1 2015 day of __________ 2015 affiants exhibiting to me their respective Pass Ports, as follows:

Name	Pass Port No.	Date of Issue	Place of Issue
LUCIO L. CO	**EB 957 1726**	**November 13 2013**	**DFA Manila**
LEONARDO B. OAYAO	**EC 0360 234**	**February 20, 2014**	**DFA Manila**
TEODORO A. POLINGA	**EC 3546 313**	**February 27, 2015**	**OFA Manila**

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Page No. 17 ;
Book No. I ,
Series of 2015

EMMA RHEA B. SADURAL
Notary Public
Until December 31, 2016
Commission No. 2015-035
Roll No. 55724
IBP Lifetime Member No. 07476
PTR No. 3825583/01-05-15/Mla
No. 900 Romualdez St., Paco, Ma

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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E-Mail ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Cosco Capital, Inc.
(Formerly Alcorn Gold Resources Corporation)
900 Romualdez Street
Paco, Manila

We have audited the accompanying consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (formerly Alcorn Gold Resources Corporation), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cosco Capital, Inc. and Subsidiaries as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-A, Group A, valid until February 5, 2017
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2013
Issued December 2, 2013; valid until December 1, 2016
PTR No. 4748126MC
Issued January 5, 2015 at Makati City

March 13, 2015
Makati City, Metro Manila

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

		December 31	
	Note	**2014**	2013
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 32, 33*	**P15,681,010,818**	P14,744,149,987
Short-term investments	*5, 32, 33*	**824,078,115**	500,000,000
Receivables - net	*6, 32, 33*	**5,321,986,551**	2,818,808,266
Merchandise inventory	*7, 21*	**13,921,685,345**	10,354,718,168
Investments in trading securities	*8, 32, 33*	**37,448,469**	28,867,376
Available-for-sale financial assets	*9, 32, 33*	**14,277,024**	11,458,480
Due from related parties	*26, 32, 33*	**10,049,370**	-
Prepaid expenses and other current assets	*10*	**1,164,914,349**	1,702,982,309
Total Current Assets		**36,975,450,041**	30,160,984,586
Noncurrent Assets			
Investments	*11, 32, 33*	**912,065,182**	439,775,237
Property and equipment - net	*12*	**15,285,188,229**	13,480,715,044
Investment properties – net	*13*	**12,773,920,323**	11,672,008,123
Intangibles and goodwill - net	*14*	**20,895,164,609**	18,000,887,819
Deferred oil and mineral exploration costs - net	*15*	**119,168,419**	118,829,183
Deferred tax assets – net	*28*	**120,214,897**	52,941,791
Due from related parties- noncurrent portion	*26, 32, 33*	**7,995,068**	-
Other noncurrent assets	*16, 22, 32, 33*	**2,609,412,772**	1,196,154,380
Total Noncurrent Assets		**52,723,129,499**	44,961,311,577
		P89,698,579,540	P75,122,296,163
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*17, 32, 33*	**P12,715,282,082**	P11,562,162,196
Short-term loans payable	*18, 32*	**2,259,100,000**	1,212,000,000
Current maturities of long - term loans, net of debt issue costs	*18, 32*	**1,007,789,300**	-
Income tax payable		**829,501,994**	734,939,892
Trust receipts payable	*32, 33*	**-**	16,543,219
Due to related parties	*26, 32, 33*	**42,605,644**	48,453,321
Other current liabilities	*19, 32, 33*	**408,917,894**	413,894,806
Total Current Liabilities		**17,263,196,914**	13,987,993,434
Noncurrent Liabilities			
Long-term loans - net of current maturities and debt issue costs	*18, 32, 33*	**8,858,613,920**	3,451,714,933
Deferred tax liabilities – net	*28*	**753,780,195**	938,849,665
Retirement benefits liability	*27*	**433,436,122**	293,041,032
Deposits for future subscriptions in a subsidiary	*20*	**150,313,060**	-
Noncurrent accrued rent	*22*	**2,068,506,537**	1,599,368,798
Other noncurrent liabilities	*32*	**491,968,455**	20,507,316
Total Noncurrent Liabilities		**12,756,618,289**	6,303,481,744
Total Liabilities		**30,019,815,203**	20,291,475,178

Forward

	Note	December 31 2014	2013
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 stock	*29*	**(252,620,619)**	(244,757,527)
Remeasurements of retirement liability - net of tax	*27*	**(49,793,434)**	(2,520,490)
Reserve for fluctuations in value of AFS financial assets	*9*	**6,932,418**	4,565,462
Retained earnings	*29*	**25,925,960,160**	23,039,953,941
Total Equity Attributable to Equity Holders of Parent Company		**42,670,386,318**	39,837,149,179
Non-controlling interest		**17,008,378,019**	14,993,671,806
Total Equity		**59,678,764,337**	54,830,820,985
		P89,698,579,540	P75,122,296,163

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2014	2013	2012
REVENUES				
Net sales		P97,388,308,049	P47,848,891,949	P -
Services		1,395,944,012	1,124,547,971	-
Production lifting		2,491,779	2,699,143	4,139,787
		98,786,743,840	48,976,139,063	4,139,787
COST OF SALES AND SERVICES				
Cost of sales	*21*	80,893,132,928	39,121,065,999	-
Cost of services	*21*	881,868,408	320,802,897	-
		81,775,001,336	39,441,868,896	-
GROSS PROFIT		17,011,742,504	9,534,270,167	4,139,787
OTHER OPERATING INCOME	*23*	2,838,352,986	1,399,851,181	-
		19,850,095,490	10,934,121,348	4,139,787
OPERATING EXPENSES	*24*	11,130,394,999	5,894,115,883	22,364,857
INCOME FROM OPERATIONS		8,719,700,491	5,040,005,465	(18,225,070)
OTHER INCOME (EXPENSES)				
Interest expense	*18*	(286,043,223)	(28,550,079)	-
Interest income		182,061,951	17,614,984	16,362,524
Others – net	*25*	73,299,972	53,282,253	12,651,817
		(30,681,300)	42,347,158	29,014,341
INCOME BEFORE INCOME TAX		8,689,019,191	5,082,352,623	10,789,271
INCOME TAX EXPENSE	*28*	2,453,517,552	1,351,147,114	19,298
NET INCOME		6,235,501,639	3,731,205,509	10,769,973

Forward

	Note	2014	2013	2012
		Years Ended December 31		
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss in subsequent periods				
Unrealized fair value gains (losses) on available for sale financial assets	9	**P2,366,956**	P1,941,770	(P170,531)
Items that will never be reclassified subsequently to profit or loss				
Remeasurements of retirement benefit liability	27	**(54,415,785)**	43,637,916	-
Income tax effect		**16,324,736**	(13,091,375)	-
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(35,724,093)**	32,488,311	(170,531)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P6,199,777,546**	P3,763,693,820	P10,599,442
Net income attributable to:				
Equity holders of the Parent Company		**P4,026,866,478**	P2,482,546,969	P10,769,973
Non-controlling interests		**2,208,635,161**	1,248,658,540	-
		P6,235,501,639	P3,731,205,509	P10,769,973
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**P4,010,400,185**	P2,500,067,475	P10,599,442
Non-controlling interests		**2,189,377,361**	1,263,626,345	-
		P6,199,777,546	P3,763,693,820	P10,599,442
Basic/Diluted earnings per share attributable to equity holders of the Parent Company	31	**P0.543784**	P0.527243	P0.000144

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 (Note 1 and 29)	Additional Paid-in Capital (Note 29)	Treasury Stock	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 January 1, 2012	P697,140,569	P -	P -	P -	P2,794,223	P87,433,019	P -	P787,367,811
Issuance during the year	577,859,431	-	-	-	-	-	-	577,859,431
Total comprehensive income (loss)								
Net income (loss) for the year	-	-	-	-	-	10,769,973	-	10,769,973
Other comprehensive income (loss) for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	(170,531)	-	-	(170,531)
Total comprehensive income	-	-	-	-	(170,531)	10,769,973	-	10,599,442
As at December 31, 2012	1,275,000,000	-	-	-	2,623,692	98,202,992	-	1,375,826,684
Issuance during the year	6,130,263,564	9,634,644,229	-	-	-	-	-	15,764,907,793
Acquisition of treasury stocks	-	-	(244,757,527)	-	-	-	-	(244,757,527)
Effect of business combination	-		-	(20,040,996)	-	20,459,203,980	-	20,439,162,984
Non-controlling interest from business combination	-	-	-	-	-	-	13,730,045,461	13,730,045,461
	6,130,263,564	9,634,644,229	(244,757,527)	(20,040,996)	-	20,459,203,980	13,730,045,461	49,689,358,711
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	2,482,546,969	1,248,658,540	3,731,205,509
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	1,941,770	-	-	1,941,770
Remeasurement (losses) gains on defined benefit liability - net of tax	-	-	-	17,520,506	-	-	14,967,805	32,488,311
Total comprehensive income	-	-	-	17,520,506	1,941,770	2,482,546,969	1,263,626,345	3,765,635,590
As at December 31, 2013	7,405,263,564	9,634,644,229	(244,757,527)	(2,520,490)	4,565,462	23,039,953,941	14,993,671,806	54,830,820,985
Effect of business combination	-	-	-	(28,439,694)	-	(123,658,659)	-	(152,098,353)
Acquisition of treasury stocks	-	-	(7,863,092)	-	-	-	-	(7,863,092)
Non-controlling interest from business combination	-	-	-	-	-	-	231,990,594	231,990,594
Cash dividends	-	-	-	-	-	(1,017,201,600)	(406,661,742)	(1,423,863,342)
	-	-	(7,863,092)	(28,439,694)	-	(1,140,860,259)	(174,671,148)	(1,351,834,193)
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	4,026,866,478	2,208,635,161	6,235,501,639
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	2,366,956	-	-	2,366,956
Remeasurement (losses) gains on defined benefit liability - net of tax	-	-	-	(18,833,250)	-	-	(19,257,800)	(38,091,050)
Total comprehensive income	-	-	-	(18,833,250)	2,366,956	4,026,866,478	2,189,377,361	6,199,777,545
As at December 31, 2014	P7,405,263,564	P9,634,644,229	(P252,620,619)	(P49,793,434)	P6,932,418	P25,925,960,160	P17,008,378,019	P59,678,764,337

See Notes to the Consolidated Financial Statements

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

		Years Ended December 31		
	Note	**2014**	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P8,689,019,191**	P5,082,352,623	P10,789,271
Adjustments for:				
Depreciation and amortization	*12, 13, 14*	**1,459,550,996**	693,065,110	487,529
Interest expense	*17, 18*	**286,043,223**	28,550,079	-
Retirement benefits cost	*27*	**80,223,585**	52,152,980	1,275,708
Unrealized foreign exchange loss		**48,073,684**	847,376	601,891
Gain on disposal of property and equipment		**370,329**	-	(465,995)
Gain on sale of available-for-sale financial assets		**(451,588)**	-	(9,517,791)
Unrealized loss in trading securities	*8, 25*	**(8,581,093)**	6,079,145	-
Gain on insurance claim	*25*	**(26,143,753)**	-	-
Dividend income		**(26,752,127)**	-	(1,307,078)
Interest income	*4, 5*	**(182,061,951)**	(17,614,984)	(16,362,524)
Provision for unrecoverable deferred mineral exploration costs	*24*	**-**	32,648,397	3,526,579
Operating income (loss) before changes in working capital		**10,319,290,496**	5,878,080,726	(10,972,410)
Decrease (increase) in:				
Receivables		**(2,503,178,285)**	(679,453,906)	(1,512,215)
Investments in trading securities		**-**	(11,310,914)	-
Merchandise inventory		**(3,566,967,177)**	(1,632,301,197)	-
Prepaid expenses and other current assets		**538,067,960**	118,077,637	(856,978)
Due from related parties		**(18,044,438)**	-	-
Increase (decrease) in:				
Accounts payable and accrued expenses		**237,279,251**	2,249,360,421	412,980
Trust receipts payable		**(16,543,219)**	10,249,789	-
Due to related parties	*26*	**(5,847,677)**	(476,442,653)	-
Other noncurrent liabilities		**935,621,966**	217,175,717	-
Cash generated from (absorbed by) operations		**5,919,678,877**	5,673,435,620	(12,928,623)
Income taxes paid		**(2,358,955,450)**	(1,002,084,268)	(356,157)
Interest paid		**(252,082,823)**	(28,550,079)	-
Net cash provided by (used in) operating activities		**3,308,640,604**	4,642,801,273	(13,284,780)

Forward

	Note	2014	2013	2012
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity of short-term investments		**P500,000,000**	P2,780,681,316	P -
Interest received		**155,505,597**	17,614,984	-
Proceeds from deposit for future subscriptions in a subsidiary		**150,313,060**	-	-
Dividends received		**26,752,127**	-	1,307,078
Proceeds from insurance claim		**26,143,753**	-	-
Proceeds from disposal of property and equipment		**16,812,032**	-	742,500
Additions to intangibles	*14*	**(33,220,300)**	(199,463,156)	-
Additions to investment properties	*13*	**(230,891,230)**	(228,600,328)	-
Additions to investments	*11*	**(472,289,945)**	(439,775,237)	-
Additions to short-term investments	*5*	**(824,078,115)**	(537,152,133)	(139,090,000)
Additions to property and equipment	*12*	**(1,994,235,405)**	(1,908,346,688)	(38,635)
Effect of business combination		**(2,287,583,949)**		
Acquisition of subsidiaries		**(2,856,834,529)**	-	-
Decrease (increase) in Deferred cost		**(339,236)**	-	344,998
Increase in Other noncurrent assets		**(1,413,258,392)**	(33,680,465)	(10,995)
Proceeds from sale of available-for-sale financial assets	*9*	**-**	33,223,435	159,517,791
Decrease in oil and mineral exploration		**-**	31,328,609	16,362,524
Net cash provided by (used in) investing activities		**(9,237,204,532)**	(484,169,663)	39,135,261
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of long-term loans		**6,450,000,000**	-	-
Availment of short-term loans	*18*	**1,750,600,000**	3,448,881,500	-
Buyback of capital stocks		**(7,863,092)**	-	-
Contribution paid on plan assets		**(25,000,000)**	-	-
Payment for debt issue costs		**(42,715,758)**	-	-
Cash dividends paid		**(508,022,707)**	-	-
Payment of short-term loans payable		**(703,500,000)**	-	-
Proceeds from issuance and subscriptions of capital stock		**-**	12,000,000,000	433,443,473
Payment of long-term loans payable	*18*	**-**	(5,000,000,000)	-
Payments for share issue costs		**-**	(861,221,146)	-
Net cash provided by financing activities		**6,913,498,443**	9,587,660,354	433,443,473
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(48,073,684)**	(847,376)	(601,891)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**936,860,831**	13,745,444,588	458,692,063
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**14,744,149,987**	998,705,399	540,013,336
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P15,681,010,818**	P14,744,149,987	P998,705,399

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

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

	Percentage of Ownership	
	2014	2013
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
SVF Corporation (SVFC) [(1)]	-	100
Go Fay & Co., Incorporada (GFCI) [(1)]	-	100
118 Holdings, Inc. (118)	100	100
Patagonia Holdings Corp. (PHC)	100	100
Ellimac Prime Holdings, Inc. (EPHI)	100	100
Fertuna Holdings Corp. (FHC)	100	100
Pure Petroleum Corp. (PPC)	100	100
Alcorn Petroleum and Minerals Corporation (APMC)	100	100
NE Pacific Shopping Centers Corporation (NPSCC) [(2)]	100	-
Office Warehouse, Inc. (OWI) [(3)]	100	-
Canaria Holdings Corporation (CHC) [(4)]	90	-
Liquigaz Philippines Corporation (LPC) [(4)]	90	-
Calor Philippines Holdings, Inc. CPHI) [(4)]	90	-

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

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

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

(4) *Acquired on August 4, 2014.*

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

	December 31, 2014
	PPCI
Non-controlling interest percentage	49%
Current assets	P20,481,245,243
Noncurrent assets	33,185,150,452
Current liabilities	(13,835,055,296)
Noncurrent liabilities	(5,597,845,730)
Net assets	34,233,494,669
Carrying amount of non-controlling interests	P16,774,412,388
Revenue	P87,535,743,778
Net income for the year	4,520,457,686
Other comprehensive income	(39,441,493)
Total comprehensive income (loss)	P4,481,016,193
Net income allocated to noncontrolling interest	P2,195,697,935
Other comprehensive income allocated to non-controlling interests	(19,326,332)
Cashflow from operating activities	3,584,139,896
Cashflow from investing activities	(1,745,621,819)
Cashflow from financing activities	(378,821,525)
Net increase (decrease) in cash	P1,459,696,552

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

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

	Percentage of Ownership	
Subsidiaries	**2014**	2013
Kareila Management Corporation (KMC)	**100**	100
PPCI Subic, Inc. (PSI)	**100**	100
Company E Corporation (Company E)	**100**	100
Entenso Equities Incorporated, Inc. (Entenso)	**100**	100

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

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

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

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

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

SVF Corporation
Incorporated and registered with the SEC on June 8, 1984 to purchase acquire, subdivide, lease, or in any manner, hold, own, use, sell or in any manner turn to account or dispose, of land and real estate of any class and description and thereon, or otherwise, to erect, construct, build, lease, use, equip, operate, or in any manner turn to account or dispose of buildings, of any kind or every kind, stores, storehouse, warehouses, offices, agencies, factories, plants, machineries, tools, equipment of any kind, with its appurtenances and appliances, to the fullest extent permitted by law.

Go Fay & Co., Incorporada
Incorporated and registered on July 3, 1930 with life extension for another 50 years on July 3, 1980. Its principal activities are to sell, export, and import cigarettes and later on, as real estate lessor.

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

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

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

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

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

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

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

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

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

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

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

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

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

	December 31, 2014
	Canaria
Non-controlling interest percentage	10%
Current assets	P2,927,805
Noncurrent assets	3,528,491,753
Current liabilities	(3,526,532,060)
Noncurrent liabilities	-
Net assets	4,887,498
Carrying amount of non-controlling interests	P488,750
Revenue	P2,501
Net income for the year	(102,002)
Other comprehensive income	-
Total comprehensive income (loss)	(P102,002)
Net income allocated to noncontrolling interest	(P10,200)
Other comprehensive income allocated to non-controlling interests	-
Cashflow from operating activities	(3,529,679,346)
Cashflow from investing activities	-
Cashflow from financing activities	3,531,155,160
Net increase (decrease) in cash	P1,475,814

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

On July 21, 2014, PR Gaz, Inc. entered into an agreement with CHC to sell all of its rights, interest and title in LPC. CHC acquired the Eight Hundred Twenty Six Thousand Five Hundred Thirty (826,530) shares or 100% of the issued and outstanding share capital of LPC. Consequently, CHC became the parent company of LPC which made it 90% - owned by Cosco.

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

	December 31, 2014
	LPC
Non-controlling interest percentage	10%
Current assets	P2,360,840,056
Noncurrent assets	1,322,131,764
Current liabilities	(1,324,076,732)
Noncurrent liabilities	(28,307,621)
Net assets	2,330,587,467
Carrying amount of non-controlling interests	P233,058,747
Revenue	P18,955,724,149
Net income for the year	383,493,609
Other comprehensive income	685,318
Total comprehensive income (loss)	P384,178,927
Net income allocated to noncontrolling interest	P38,349,361
Other comprehensive income allocated to non-controlling interests	68,532
Cashflow from operating activities	704,363,970
Cashflow from investing activities	(116,378,618)
Cashflow from financing activities	(271,297,396)
Net increase (decrease) in cash	P316,687,956

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

CPHI's capital stock was 60% owned by Supralex Asia Ventures Trading, Inc or "Supralex", a domestic company, and 40% owned by SHV Calor Asia BV or "SHV Calor", as represented by Liquigaz Philippines Corporation (LPC) whose ultimate parent company is SHV Holdings N.V., a Dutch company.

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

On July 15, 2014, Supralex entered into an agreement with CHC to sell all its rights, title, and interest in CPHI. Supralex owned Thirty six thousand seventy five (36,075) share capital which represents sixty percent (60%) equity of CPHI. Consequently, CHC became the parent company of CPHI that made it 90% - indirectly owned by Cosco.

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

	December 31, 2014
	Calor
Non-controlling interest percentage	10%
Current assets	P23,692
Noncurrent assets	37,700,432
Current liabilities	(31,275,248)
Noncurrent liabilities	(4,661,464)
Net assets	1,787,412
Carrying amount of non-controlling interests	P178,741
Revenue	P2,403,399
Net income for the year	1,709,540
Other comprehensive income	-
Total comprehensive income (loss)	P1,709,540
Net income allocated to noncontrolling interest	P170,954
Other comprehensive income allocated to non-controlling interests	-
Cashflow from operating activities	-
Cashflow from investing activities	-
Cashflow from financing activities	-
Net increase (decrease) in cash	P -

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

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on March 14, 2015.

asis of Consolidation

Business Combinations Under Common Control

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

Business Combinations other than Under Common Control

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

The Group measures goodwill at the acquisition date as:

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

Subsidiaries

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

Non-controlling Interests

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

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

Transactions Eliminated on Consolidation

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

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

Basis of Measurement
The Group's consolidated financial statements have been prepared on the historical cost basis of accounting, except for investments in trading securities and available-for-sale (AFS) financial assets which are measured at fair market value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fair values of the Group's financial instruments are presented in Note 33 to the consolidated financial statements.

Determination of Significant Influence
The Group's non-voting equity interest in San Roque Supermarkets (SRS) is accounted and classified as AFS financial asset due to the absence of significant influence in accordance with paragraphs 5-6 of PAS 28, *Investments in Associate.*

Following are the factors evaluated by the Group in determining whether it has significant influence:

(a) representation on the board of directors or equivalent governing body of the investee;

(b) participation in policy-making processes, including participation in decisions about dividends or other distributions;

(c) material transactions between the entity and its investee;

(d) interchange of managerial personnel; or

(e) provision of essential technical information.

The investment is carried at cost since the fair value cannot be determined reliably in the absence of any observable market data on such investment. As at December 31, 2014 and 2013, the cost of the Group's investment amounted to P398.78 million and P379.78 million, respectively.

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 December 31, 2014 and 2013, the cost of its investments in joint ventures amounted to P450.46 million and P60.00 million, respectively.

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 P1.67 billion, P803.1 million and P0.9 million in 2014, 2013, and 2012, 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 P1.7 billion, P1.3 billion and nil in 2014, 2013 and 2012, 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 P164.5 million and P20.6 million as at December 31, 2014 and 2013. The carrying amount of receivables amounted to P5.3 billion and P2.8 billion as at December 31, 2014 and 2013, respectively (see Note 6).

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

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss by transferring the accumulated fair value adjustments recognized in equity on the impaired AFS financial assets to profit or loss. As at December 31, 2014 and 2013, management believes that changes in fair values as quoted in the market of traded securities remain temporary. Accordingly, no permanent impairment is required to be recognized.

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

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

The carrying amount of merchandise inventory amounted to P13.9 billion and P10.4 billion as at December 31, 2014 and 2013, 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 P1.32 billion and P635.0 million in 2014 and 2013, respectively (see Note 21 and 24). Property and equipment, net of accumulated depreciation, amounted to P15.29 billion and P13.48 billion as at December 31, 2014 and 2013, 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 P13.9 million and P10.4 million in 2014 and 2013, respectively. Net carrying value of computer software and licenses and leasehold rights amounted to P235.2 million and P210.4 million as at December 31, 2014 and 2013, 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 P20.7 billion as at December 31, 2014 and 2013 (see Note 14).

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

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

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

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

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

In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the estimated amount of proven reserves will be subject to future revisions once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions in estimates (see Note 15).

Estimating Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group reviews its projected performance in assessing the sufficiency of future taxable income.

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

The Group has recognized deferred tax assets amounting to P120.3 million and P52.9 million as at December 31, 2014 and 2013, respectively (see Note 28).

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

There were no impairment losses on property and equipment and other non-financial assets recognized in 2014 and 2013.

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 P433.4 million and P293.0 million as at December 31, 2014 and 2013, 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 December 31, 2014 and 2013, the Group does not have any contingent legal or constructive obligation that requires provision.

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. The new standards and amendments which are relevant and applicable to the Group are listed below. However, the Group has not applied these new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that:

  - an entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

Standards Issued But Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective July 1, 2014

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

  The amendments apply retrospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

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

  - *Measurement of short-term receivables and payables (Amendment to PFRS 13).* Amendment to PFRS 13 is part of the Annual Improvements to PFRSs 2010-2012 Cycle. The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The amendment to PFRS 13 is effective immediately.

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

Effective January 1, 2016

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

Effective January 1, 2018

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

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

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

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 December 31, 2014 and 2013 (See Note 8).

Financial Assets at FVPL

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

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

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

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

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

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

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

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

The carrying amounts of financial assets under this category amounted to P37.4 million and P28.9 million as at December 31, 2014 and 2013, respectively (see Note 8).

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

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

The Group's cash and cash equivalents, short-term investments, receivables, due from related parties and security deposits are included in this category (see Notes 4, 5, 6, 32 and 33).

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, 19, 32 and 33).

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

Derecognition of Financial Assets and Liabilities
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

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

Intangible Assets and Goodwill

Goodwill

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

Intangible Assets

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

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

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

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

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

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

Deferred Oil and Mineral Exploration Costs

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

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

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

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

Impairment of Assets

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

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

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

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

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

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

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

All impairment losses are recognized in profit or loss.

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

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

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

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

Employee Benefits

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

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

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

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

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

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

Deposits for Future Stocks Subscription

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

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

Other Comprehensive Income

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

Revenue and Expense Recognition

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

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

- *Sale of Services*

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

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

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

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

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

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

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

Cost of Sales

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

Cost of Services

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

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

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

Borrowing Costs

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

Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Leases</u>
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	2014	2013
Cash on hand		**P1,326,831,502**	P720,101,890
Cash in banks	*32, 33*	**2,877,998,722**	2,349,103,633
Money market placements	*32, 33*	**11,476,180,594**	11,674,944,464
		P15,681,010,818	P14,744,149,987

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 2014 and from 1.00% to 2.80% in 2013.

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 1.625% to 1.85% in 2014 and 1.85% in 2013.

Subsidiaries that are engaged in investing activities are as follows:

	Note	2014	2013
Puregold Price Club, Inc. and Subsidiaries		**P -**	P500,000,000
Nation Realty Realty, Inc.		**472,361,589**	-
Patagonia Holdings, Corp.		**204,379,143**	-
Ellimac Prime Holdings, Inc.		**75,498,968**	-
118 Holdings, Inc.		**71,838,415**	-
	32, 33	**P824,078,115**	P500,000,000

6. Receivables

This account consists of:

	Note	2014	2013
Trade receivables	*a*	**P4,611,226,154**	P1,846,893,138
Non-trade receivables	*b*	**676,649,276**	802,192,566
Others		**198,568,313**	190,303,942
		5,486,443,743	2,839,389,646
Less allowance for impairment losses on trade receivables from third parties	*a*	**164,457,192**	20,581,380
	32, 33	**P5,321,986,551**	P2,818,808,266

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 P164.5 million and P20.6 million as at December 31, 2014 and 2013 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:

	2014	2013
Beginning balance	**P20,581,380**	P13,119,053
Effect of business combination	**193,433,835**	-
Impairment losses recognized during the year	**6,371,835**	7,462,327
Write-off during the year	**(55,929,858)**	-
Ending balance	**P164,457,192**	P20,581,380

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. Merchandise Inventory

This account consists of groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.), wines and spirits held for sale in the ordinary course of business on wholesale and retail basis.

Inventory cost as at December 31, 2014 and 2013 is lower than NRV.

The Group's merchandise inventory as at December 31, 2014 and 2013 amounted to P13.9 billion and P10.4 billion, respectively (see Note 21).

Inventory charged to the cost of sales amounted to P70.2 billion, P60.5 billion and P48.2 billion, in 2014, 2013 and 2012, 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*	**2014**	2013
Balance at beginning of year		**P14,518,906**	P -
Effect of business combination during the year		-	14,518,906
Balance at end of year		14,518,906	14,518,906
Valuation Adjustments			
Balance at beginning of year		14,348,470	-
Effect of business combination during the year		-	20,427,615
Unrealized valuation gain (loss) on financial assets at FVPL for the year	*25*	8,581,093	(6,079,145)
Balance at end of year		22,929,563	14,348,470
	32, 33	**P37,448,469**	P28,867,376

9. Available-for-sale Financial Assets

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

	Note	**2014**	2013
Investment in debt securities		**P6,363,758**	P5,918,335
Investment in shares of stock		7,913,266	5,540,145
	32,33	**P14,277,024**	P11,458,480

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 P6.9 million and P4.6 million as at December 31, 2014 and 2013, respectively.

In 2013, investments in marketable securities amounting to P26.7 million were redeemed and subsequently advanced to the subsidiaries for the full payment of their outstanding loans.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	2014	2013
Input value added tax (VAT)	**P457,008,801**	P1,253,476,297
Prepaid expenses	**342,350,732**	355,250,194
Advances to suppliers	**211,920,443**	29,444,641
Creditable withholding tax	**90,062,840**	10,476,421
Deferred input VAT	**30,643,394**	16,085,198
Others	**32,928,139**	38,249,558
	P1,164,914,349	P1,702,982,309

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

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

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

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

11. Investments

This account consists of:

	Note	2014	2013
Investments in joint ventures	*b*	**P450,455,093**	P60,000,000
AFS financial assets	*a, 32, 33*	**398,776,037**	379,775,237
Investment in associate	*c*	**62,834,052**	-
		P912,065,182	P439,775,237

a. AFS Financial Assets

Retail Segment

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

- AFS financial assets also include 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 to SRS and Tower Club are carried at cost since the fair value cannot be determined reliably in the absence of an observable market data on these related assets.

b. Investments in Joint Ventures

Retail

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

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

  PLCI was incorporated in the Philippines on June 2, 2014. 1t has no operations in 2014.

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

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

  The redeemable preferred shares shall have the following features:

  (a) Voting rights;

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

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

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

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

The summarized financial information of PLCI follows:

	2014*
Total assets	**P352,917,358**
Total liabilities	**7,968,993**
Total equity	**344,948,365**
Income	**412**
Pre-operating expenses	**5,052,047**
Net loss	**5,051,635**

* *Incorporated on June 12, 2014.*

The summarized financial information of Ayagold follows:

	2014	2013
Total assets	**P88,257,764**	P120,107,725
Total liabilities	**2,805,466**	2,770,672
Total equity	**85,452,298**	117,337,053
Income	**506,607**	77,500
Pre-operating expenses	**35,054,309**	2,740,447
Net loss	**(34,547,702)**	(2,662,947)

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

	2014	2013
Carrying amount	**P60,000,000**	P60,000,000
Share in net loss	**(17,273,851)**	-
	P42,726,149	P60,000,000

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 December 31, 2014 are presented below:

	2014
Balance at beginning of year	**P56,684,154**
Share in net results	**(1,055,434)**
Adjustments	**2,100,224**
Balance at end of year	**P57,728,944**

The financial information of MJVC as at December 31, 2014 are as follows:

	2014
Assets	**P115,744,439**
Liabilities	**4,538,865**
Net Assets	**111,205,574**
Revenues	**22,000,000**
Net loss	**(2,110,868)**

c. Investment in Associate

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 December 31, 2014 are presented below:

	2014
Balance at beginning of year	P23,531,355
Share in net results	1,602,265
Balance at end of year	P25,133,620

The financial information of PLBRC as at December 31, 2014 are as follows:

	2014
Assets	P146,025,205
Liabilities	20,357,102
Net Assets	125,668,103
Revenues	60,000,000
Net income	8,011,329

Holding

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

	2014
Acquisition Cost	**P22,958,280**
Accumulated share in results	
January 1	12,338,753
Share in net results for the year	2,403,399
December 31	14,742,152
	P37,700,432

12. Property and Equipment

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 Improvements	Land	Construction in Progress	Transportation Equipment	Wells, Platforms and Other Facilities	Storage Tanks	Total
Cost										
Balance, December 31, 2012	P -	P -	P1,973,000	P206,115	P -	P -	P3,939,859	P204,955,281	P -	P211,074,255
Additions/effect of business combination	3,133,702,847	1,000,987,413	2,106,566,562	2,940,732,175	378,478,578	1,366,514,574	272,453,474	-	520,352,787	11,719,788,410
Transfer-in	(2,313)	9,545,134	28,783,723	18,443,731	-	-	-	-	-	56,770,275
Reclassifications	446,413,051	112,948	(546,902)	991,484,454	-	(1,437,463,550)	(223,441)	-	-	(223,440)
Additions	321,524,224	240,552,483	805,899,854	378,374,622	8,127,241	441,028,813	1,576,357	-	-	2,197,083,594
Adjustments	1,463	16,428,193	(17,555,499)	24,720	-	-	-	-	-	(1,101,123)
Disposals/retirements	-	(17,545)	(2,289,593)	-	-	-	-	-	-	(2,307,138)
Balance, December 31, 2013	3,901,639,272	1,267,608,626	2,922,831,145	4,329,265,817	386,605,819	370,079,837	277,746,249	204,955,281	520,352,787	14,181,084,833
Additions/effect of business combination	1,201,870,657	219,145,893	175,774,351	95,646,249	-	2,235,446	101,508,962	-	902,580,875	2,698,762,433
Reclassifications	220,492,401	(2,162,566)	101,273,599	518,987,887	-	(831,983,518)	-	-	(6,607,803)	-
Additions	84,632,107	243,242,282	546,163,949	429,762,727	-	646,608,983	14,564,315	-	38,130,043	2,003,104,406
Adjustments	-	(8,844,135)	(24,866)	-	-	-	-	-	-	(8,869,001)
Disposals/retirements	(2,321,429)	(5,401,285)	(21,770,172)	(47,278,384)	-	-	(7,367,632)	-	(7,066,822)	(91,205,724)
Balance, December 31, 2014	**5,406,313,008**	**1,713,588,815**	3,724,248,006	**5,326,384,296**	**386,605,819**	**186,940,748**	**386,451,894**	**204,955,281**	**1,447,389,080**	**18,782,876,947**
Accumulated Depreciation and Amortization										
Balance, December 31, 2012	-	-	1,933,315	206,115	-	-	3,638,901	44,917,503	-	50,695,834
Transfer-in	(2,313)	1,856,062	6,372,105	8,768,792	-	-	-	-	-	16,994,646
Adjustments	2,311	4,183,280	(4,404,336)	(58,222)	-	-	-	-	-	(276,967)
Depreciation and amortization	78,082,428	78,908,670	330,937,920	115,126,656	-	-	19,456,052	-	12,410,458	634,922,184
Disposals/retirements	-	(3,743)	(1,962,165)	-	-	-	-	-	-	(1,965,908)
Balance, December 31, 2013	78,082,426	84,944,269	332,876,839	124,043,341	-	-	23,094,953	44,917,503	12,410,458	700,369,789
Additions/effect of business combination	806,659,930	177,961,432	127,153,080	36,237,103	-	-	70,952,904	-	330,306,942	1,549,271,391
Adjustments	207,103	(628,085)	(131,360)	552,342	-	-	-	-	-	-
Depreciation and amortization	178,478,923	155,922,670	674,961,548	259,470,832	-	-	10,893,832	-	42,343,096	1,322,070,901
Disposals/retirements	(45,138)	(3,027,315)	(18,167,738)	(47,278,326)	-	-	(4,676,214)	-	(828,632)	(74,023,363)
Balance, December 31, 2014	**1,063,383,244**	**415,172,971**	**1,116,692,369**	**373,025,292**	-	-	**100,265,475**	**44,917,503**	**384,231,864**	**3,497,688,718**
Carrying Amount										
December 31, 2013	P3,823,556,846	P1,182,664,357	P2,589,954,306	P4,205,222,476	P386,605,819	P370,079,837	P254,651,296	P160,037,778	P507,942,329	P13,480,715,044
December 31, 2014	**P4,342,929,764**	**P1,298,415,844**	**P2,607,555,637**	**P4,953,359,004**	**P386,605,819**	**P186,940,748**	**P286,186,419**	**P160,037,778**	**P1,063,157,216**	**P15,285,188,229**

Depreciation and amortization charged to profit and loss:

	Note	**2014**	2013
Cost of sales and services		**P111,215,314**	P49,195,820
Operating expenses	*24*	**1,213,332,441**	585,726,364
		P1,324,547,755	P634,922,184

No impairment loss was recognized in both years.

13. Investment Properties - net

This account consists of:

	Building	Land	Construction-in-progress	Total
Cost				
Effect of business combination	P4,704,268,005	P6,742,811,023	P54,471,693	P11,501,550,721
Reclassifications	938,253	(18,427,500)	(6,470,985)	(23,960,232)
Additions	39,753,238	-	212,807,322	252,560,560
Balance, December 31, 2013	4,744,959,496	6,724,383,523	260,808,030	11,730,151,049
Effect of business combination	626,631,609	218,089,124	1,178,570	845,899,303
Reclassifications	616,071	-	(616,071)	-
Additions	112,077,392	25,655,093	93,158,745	230,891,230
Fair value adjustment	-	523,436,536	-	523,436,536
Balance, December 31, 2014	**5,484,284,568**	**7,491,564,276**	**354,529,274**	**13,330,378,118**
Accumulated Depreciation and Amortization				
Depreciation and amortization/effect of business combination	58,166,358	(23,432)	-	58,142,926
Balance, December 31, 2013	58,166,358	(23,432)	-	58,142,926
Effect of business combination	374,590,274	-	-	374,590,274
Depreciation and amortization	123,724,595	-	-	123,724,595
Balance, December 31, 2014	**556,481,227**	**(23,432)**	-	**556,457,795**
Carrying Amount				
December 31, 2013	P4,686,793,138	P6,724,406,955	P260,808,030	P11,672,008,123
December 31, 2014	**P4,927,803,341**	**P7,491,587,708**	**P354,529,274**	**P12,773,920,323**

As at December 31, 2014 and 2013, 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. Fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Fair value adjustment pertains to the difference of book value and fair market value of the investment properties of NPSCC. As at December 31, 2014 and 2013, the aggregate fair values of NPSCC's properties amounted to P995.8 million in both years. The fair values are based on the appraisal report by an independent appraiser using the Cost and Market Data Approaches.

The rental income earned by the Group from these properties amounted to P1.3 billion and P1.1 billion in 2014 and 2013, respectively (see Note 23).

Direct costs incurred pertaining to the lease of these properties for the years ended December 31, 2014 and 2013 amounted to P881.9 million and P320.8 million, respectively (see Note 21).

14. Intangibles and Goodwill - net

This account consists of:

	Note	**2014**	2013
Goodwill	*a*	**P16,060,828,616**	P13,191,340,917
Trademark	*b*	**3,709,660,547**	3,709,660,547
Customer relationship	*b*	**889,452,981**	889,452,981
Computer software and licenses - net	*c*	**165,269,918**	136,713,077
Leasehold rights	*c*	**69,952,547**	73,720,297
		P20,895,164,609	P18,000,887,819

a. *Goodwill*

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

2012		
Puregold Junior Supermarket, Inc. (PJSI)	*a.1*	P11,370,121
Kareila	*a.2*	12,079,473,835
Gant Group of Companies Incorporated (Gant)	*a.3*	742,340,804
		12,833,184,760
2013		
Merger of PJSI and Gant to PPCI	*a.4*	4,142
Company E	*a.5*	358,152,015
		13,191,340,917
2014		
NPSCC	*a.6*	**457,304,121**
OWI	*a.7*	**886,891,054**
LPC	*a.8*	**1,473,850,963**
CHC	*a.9*	**9,450**
CPHI	*a.10*	**51,432,111**
		P16,060,828,616

The Group used provisionary fair values of the identifiable net assets in calculating the goodwill of the newly-acquired entities in 2014 as at the acquisition date. Upon finalization of the purchase price allocation exercise in 2015, the Group will restate the amounts of the net assets acquired, non-controlling interest and goodwill, in accordance with PFRS 3.

Details are as follows:

a.1. Acquisition of PJSI

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

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

a.2. Acquisition of Kareila

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

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

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

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

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

a.3. Acquisition of Gant

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

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

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

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

a.4. Merger of PJSI and Gant

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

a.5. Acquisition of Company E

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

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

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

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

a.6. Acquisition of NPSCC

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

Assets	
Cash and cash equivalents	**P136,768,065**
Receivables	**27,864,675**
Prepayments and other current assets	**7,828,808**
Investment properties	**995,613,379**
Property and equipment - net	**35,357,476**
Deferred tax assets	**969,776**
Other noncurrent asset	**478,226**
Liabilities	
Account payable and accrued expenses	**(39,424,434)**
Current portion of long-term debt	**(24,844,898)**
Income tax payable	**(11,008,339)**
Long-term debt	**(62,367,034)**
Deposits from tenants	**(68,364,137)**
Deferred lease income	**(4,994,434)**
Total identifiable net assets at fair value	**P470,440,593**

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

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

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

a.7. Acquisition of OWI

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

Current assets	P219,224,557
Noncurrent assets	108,198,876
Current liabilities	126,314,487
Total identifiable net assets at fair value	**(P201,108,946)**

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

Cash consideration transferred	P1,088,000,000
Fair value of net assets	(201,108,946)
Goodwill	**P886,891,054**

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

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

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

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

In 2014, OWI paid a tax deficiency amounting to P28.8 million, which was automatically deducted from the P50 million that will be due in January 2015.

a.8. Acquisition of LPC

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

Current assets	P2,412,058,244
Noncurrent assets	1,288,719,210
Current liabilities	1,446,223,573
Noncurrent liabilities	27,220,776
Total identifiable net assets at fair value	**P2,227,333,105**

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

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

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

a.9. Acquisition of Canaria

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

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

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

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

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

a.10. Acquisition of Calor

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

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

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

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

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

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

b. *Trademark and Customer Relationships*

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

Impairment of goodwill, trademark and customer relationship

The recoverable amount of goodwill, trademark and customer relationship has been determined based on value in use (VIU), using cash flow projections covering a five-year period. It is based on a long range plans approved by management. The VIU is based on a 2% terminal growth rate and discount rate of 10%. The terminal growth rate used is consistent with the long-term average growth rate for the Group's industry. The discount rate is based on the weighted average cost of capital (WACC) by taking into consideration the debt equity capital structure and cost of debt of comparable companies and cost of equity based on appropriate market risk premium. The financial projection used in the VIU is highly dependent on the gross sales and gross profit margin. For purposes of growth rate sensitivity, a growth rate scenario of 2% and 3% is applied on the discounted cash flow analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill, trademark and customer relationship to exceed its recoverable amount.

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at December 31, 2014 and 2013.

c. *Leasehold Rights and Computer Software and Licenses*

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

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

	Computer Software	Leasehold Rights	Total
Cost			
Balance, January 1, 2013	P117,791,443	P -	P117,791,443
Additions	73,358,134	75,355,005	148,713,139
Transfer in	13,133,610	-	13,133,610
Balance, December 31, 2013	204,283,187	75,355,005	279,638,192
Additions	34,334,229	-	34,334,229
Effect of business combination	29,635,522	-	29,635,522
Balance, December 31, 2014	**268,252,938**	**75,355,005**	**343,607,943**
Accumulated Amortization			
Balance, January 1, 2013	51,584,453	-	51,584,453
Amortization	8,748,369	1,634,708	10,383,077
Transfer in	7,237,288	-	7,237,288
Balance, December 31, 2013	67,570,110	1,634,708	69,204,818
Amortization	9,987,750	3,767,750	13,755,500
Effect of business combination	25,425,160	-	25,425,160
Balance, December 31, 2014	**102,983,020**	5,402,458	**108,385,478**
Carrying Amount			
December 31, 2013	P136,713,077	P73,720,297	P210,433,374
December 31, 2014	**P165,269,918**	**P69,952,547**	**P235,222,465**

15. Deferred Oil and Mineral Exploration Costs

This account consists of:

	Note	Participating Interest	2014	2013
I. Oil exploration costs:				
SC 14	*a*			
Block C2 (West Linapacan)		1.53%	**P53,647,271**	P53,595,432
Block D		5.84%	**8,011,133**	8,011,133
Block B1 (North Matinloc)		13.55%	**746**	746
			61,659,150	61,607,311
SC 6A	*b*			
Octon Block		0.50%	**16,560,191**	16,560,191
North Block		1.57%	**600,419**	600,419
			17,160,610	17,160,610
SC 51	*c*	9.32%	**32,817,032**	32,815,514
SC 6B (Bonita)	*d*	2.11%	**6,489,191**	6,304,904
Other oil projects			**527,340**	527,310
Balance at end of year			**39,833,563**	39,647,728
			118,653,323	118,415,649
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**19,208,048**	19,207,978
Anoling gold project	*g*	3.00%	**13,817,415**	13,817,326
Gold projects	*h*	100.00%	**12,932,166**	12,891,933
Cement project	*i*	100.00%	**9,603,218**	9,586,212
Other mineral projects	*j, k*		**382,338**	382,338
			55,943,185	55,885,787
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:				
Balance at beginning of year			**(56,092,352)**	(23,443,955)
Impairment losses for the year			**-**	(32,648,397)
Balance at end of year			**(56,092,352)**	(56,092,352)
			(149,167)	(206,565)
III. Other deferred charges			**664,263**	620,099
			P119,168,419	P118,829,183

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

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

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

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

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

The Parent Company is still seeking the additional US$200,000 (peso equivalent: P8.8 million) as stated in provision (ii) of the above agreement for the computed oil reserves in excess of 65 million barrels as at December 31, 2012. As at December 31, 2014 and 2013, there were no further developments on the said project.

b.) SC 6A (Octon ad 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 December 31, 2014, there were no further developments on the said project.

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 December 31, 2014, 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 December 31, 2014 and 2013, there were no further developments on the said project.

e.) <u>Exploration Permit Application No. 175-IVB - Nickel Project Aborlan, Palawan</u>

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 December 31, 2014, 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 ParentCompany 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 December 31, 2014, 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 December 31, 2014 and 2013, 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 December 31, 2014, there were no further developments on the said project.

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

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

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

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

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

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

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

As at December 31, 2014, 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 December 31, 2014, 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.

16. Other Noncurrent Assets

This account consists of:

	Note	2014	2013
Security deposits	*22, 32, 33*	**P1,240,131,409**	P884,090,991
Accrued rent income	*22*	**651,721,623**	20,062,609
Input VAT		**438,980,985**	-
Prepaid rent	*22*	**268,363,507**	291,504,455
Others		**10,215,248**	496,325
		P2,609,412,772	P1,196,154,380

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	2014	2013
Trade	*32,33*	**P10,229,399,448**	P7,823,695,249
Dividends payable	*32,33*	**509,178,893**	406,661,768
Withholding taxes payable and other statutory payables		**357,660,492**	180,815,023
Non-trade	*32,33*	**296,346,605**	2,232,834,108
Deferred rent income	*32,33*	**19,374,091**	19,963,684
Construction bonds	*32,33*	**5,928,037**	4,267,853
Accrued expense	*32, 33*		
Manpower agency services		**649,401,819**	509,042,511
Utilities		**353,771,768**	168,422,126
Rent		**117,586,347**	25,553,607
Brand promotions		**57,609,724**	38,737,871
Professional fees		**53,500,738**	45,673,000
Others	*32,33*	**123,471,504**	106,495,396
		P12,715,282,082	P11,562,162,196

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

a. Short-term Loans Payable

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

Segment		*Note*	2014	2013
Liquor	Short-term note based on 2.375%	*i*	**P555,600,000**	P -
Specialty retail	Short-term note based on 2.375%	*i*	**340,000,000**	-
Retail	Short-term note based on 2.5%	*i*	**75,000,000**	403,500,000
Retail	Short-term note based on 2.75%	*i*	**780,000,000**	300,000,000
Retail	Short-term note based on 3.75%	*ii*	**508,500,000**	508,500,000
			P2,259,100,000	P1,212,000,000

i. The Group issued and executed the following notes:

Execution Date	Maturity Date	Interest Rate	Principal
November 28, 2014	January 5, 2015	2.375	P340,000,000
December 29, 2014	March 27, 2015	2.375	238,000,000
December 1, 2014	January 5, 2015	2.375	171,600,000
November 24, 2014	February 23, 2015	2.375	82,000,000
November 26, 2014	February 24, 2015	2.375	64,000,000
November 6, 2014	February 4, 2015	2.5	75,000,000
November 19, 2014	February 17, 2015	2.75	300,000,000
July 14, 2014	January 9, 2015	2.75	250,000,000
November 14, 2014	December 15, 2015	2.75	230,000,000
			P1,750,600,000

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.

ii. On July 25, 2013, the Group entered into an unsecured short-term loan amounting to P508.5 million with a local bank. On July 18, 2014, these loans matured and renewed for another year. The principal amount is payable annually and its related interest is at 3.75% and 2.75% per annum in 2014 and 2013, respectively.

b. Long-term Loans Payable

b.1 As at December 31, the outstanding loan by the parent is as follows:

	2014
Loan Facilities (net of debt issuance costs)	
Fixed-Rate Peso Corporate Notes	P4,960,368,630
Less current portion	44,869,262
	P4,915,499,368

Movements in debt issuance costs are as follows:

	2014
Balance at beginning of year	P -
Debt issuance costs during the year	42,715,758
Amortization during the year	3,084,388
Balance at end of year	P39,631,370

Repayment Schedule

As at December 31, 2014, the annual maturities of loans payable are as follows:

Year	Gross Amount	Debt Issuance Cost	Net
2015	P50,000,000	P5,130,738	P44,869,262
2016	50,000,000	5,342,617	44,657,383
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
More than 5 years	4,750,000,000	11,737,544	4,738,262,456
	P5,000,000,000	P39,631,370	P4,960,368,630

Financing of Capital Expenditures and Debt Obligations

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

Below are the terms of the loan facility:

Fixed-Rate Peso Corporate Notes

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

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

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

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

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

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

Interest expense from these loans recognized in profit or loss amounted to P170.5 million in 2014.

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

Segment	Unsecured Peso Denominated	*Note*	2014	2013
Retail	Fixed rate note based on 3.5%	*i*	P1,993,114,552	P1,991,219,294
Retail	Fixed rate note based on 3.25%	*ii*	962,920,038	960,495,639
Retail	Fixed rate note based on 3.5%	*iii*	500,000,000	500,000,000
Real Estate	Fixed rate note based on 4.5%	*iv*	1,450,000,000	-
		28, 29	4,906,034,590	3,451,714,933
	Less current portion		962,920,038	-
			P3,943,114,552	P3,451,714,933

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 PPCI signed and executed a two (2) year promissory note amounting to P963.7 million. The debt bears a 3.25% interest rate per annum and shall be repaid in a single payment on April 15, 2015.

The movements in debt issue costs are as follows:

	2014	2013
Balance at beginning of the year	P11,985,067	P47,788,638
Additions	-	14,818,500
Amortizations	(4,319,657)	(5,464,629)
Deductions	-	(45,157,442)
Balance at end of year	**P7,665,410**	P11,985,067

iii. On July 23, 2013, PPCI signed and executed a P500 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.

Interest expense from these loans amounting to P99.5 million and P198.9 million were capitalized in 2014 and 2013 and recognized in building and leasehold improvements under property and equipment accounts (see Note 11). Remaining interest expense that was charged to profit and loss amounted to P47.3 million and P26.5 million in 2014 and 2013, respectively.

Repayment Schedule

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

Year	2014	2013
2015	**P1,463,700,000**	P963,700,000
2018	**2,500,000,000**	2,500,000,000
	P3,963,700,000	P3,463,700,000

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

Interest expense incurred amounted to P53.6 million and P17.7 million for the years ended December 31, 2014 and 2013, respectively.

19. Other Current Liabilities

This account as at December 31 consists of:

	Note	2014	2013
Deposits	*22, 32, 33*	**P258,577,267**	P226,792,416
Promotion fund		**76,806,772**	53,479,841
Unredeemed gift certificates		**66,275,200**	48,435,500
Output VAT		**4,031,365**	27,657,649
Exclusive fund		**-**	49,885,294
Others	*32, 33*	**3,227,290**	7,644,106
		P408,917,894	P413,894,806

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

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

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

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

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

20. Deposit for Future Subscriptions in a Subsidiary

The Group thru OWI received funds from prospective investors intended as deposit for future stock subscriptions of OWI once the increase for Company's authorized capital is approved by the SEC. Outstanding amount due to stockholders were converted to deposit for subscription in 2013 amounting to P150.3 million. As at December 31, 2014, the increase for capital is yet to be filed to SEC by the OWI.

21. Cost of Sales and Services

This account for the year ended December 31 consists of:

Cost of Sales

	2014	2013
Beginning inventory	**P10,354,718,168**	P -
Add: Purchases/effect of business combination	**83,873,367,887**	49,475,784,167
Transfer-in	**505,081,443**	-
Overhead costs allocated to inventories	**81,650,775**	-
Total goods available for sale	**94,814,818,273**	49,475,784,167
Less: Ending inventory	**13,921,685,345**	10,354,718,168
	P80,893,132,928	P39,121,065,999

Transfer-in pertains to the beginning inventory newly-acquired subsidiaries. Transfer-in as of December 31, 2014 and 2013 amounted to P505.1 million and nil, respectively.

Depreciation and amortization relating to cost of sales amounted to P52 million and nil as of December 31, 2014 and 2013, respectively.

Cost of Services

	Note	**2014**	2013
Utilities		**P404,841,045**	P100,323,277
Depreciation	*12, 13*	**181,170,646**	97,576,194
Taxes and licenses		**76,995,643**	41,357,453
Security services		**61,204,229**	27,979,985
Rentals	*22*	**49,234,603**	18,965,731
Janitorial services		**42,149,832**	18,098,479
Management fees		**20,478,748**	3,844,649
Repairs and maintenance		**20,022,293**	10,473,110
Salaries and wages		**7,316,378**	1,755,703
Insurance		**6,334,031**	-
Amusement tax		**2,893,981**	-
Operator services		**1,543,076**	428,316
Retirement benefit cost		**200,239**	-
Others		**7,483,664**	-
		P881,868,408	P320,802,897

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 "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (see Note 16).

Rent expense recognized in profit or loss amounted to P1.67 billion, P803.1 million and P0.92 million in 2014, 2013, and 2012, respectively.

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

	2014	2013	2012
Due within one year	**P1,726,091,499**	P1,492,565,001	P924,269
Due more than one year but not more than five years	**6,904,365,995**	6,443,961,725	192,556
Due more than five years	**27,617,463,980**	30,017,933,854	-
	P36,247,921,474	P37,954,460,580	P1,116,825

As Lessor

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

Rent income recognized in profit or loss for the years 2014, 2013 and 2012 amounted to P357 million, P157 million and nil, respectively.

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

	2014	2013
Due within one year	**P1,413,870,145**	P1,109,375,385
Due more than one year but not more than five years	**5,655,480,580**	1,946,559,536
Due more than five years	**22,621,922,321**	8,535,064,630
	P29,691,273,046	P11,590,999,551

23. Other Operating Income

This account for the years ended December 31 consists of:

	Note	**2014**	2013
Concession income		**P1,331,097,191**	P779,004,895
Rent income	*22*	**356,990,187**	157,462,410
Display allowance		**330,361,693**	280,158,511
Membership income		**298,232,302**	123,714,404
Service income		**275,526,092**	-
Merchandising support income		**78,165,268**	32,698,343
Endcap/pallet income		**38,336,951**	17,115,721
Miscellaneous		**129,643,302**	9,696,897
		P2,838,352,986	P1,399,851,181

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

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

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.

Membership income pertains to fees from members of Kareila 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.

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

Endcap/pallet income represents the amounts paid by the consignors and concessionaires for the mass display of their products to be situated in strategic locations 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, membership income from members of the Retail segment.

24. Operating Expenses

This account for the years ended December 31 consists of:

	Note	2014	2013	2012
Rent	22	**P1,620,693,313**	P803,067,020	P924,888
Manpower- agency		**1,596,554,761**	910,921,866	-
Communication, light and water		**1,583,193,799**	853,950,071	214,272
Salaries and wages		**1,307,315,271**	626,781,925	-
Depreciation and amortization	12,13, 14	**1,226,596,185**	634,922,184	487,529
Outside services		**988,197,398**	594,552,298	-
Concession expense		**441,413,825**	283,094,774	-
Taxes and licenses		**470,292,000**	220,051,095	229,760
Store and office supplies		**380,242,596**	195,409,523	-
Advertising and marketing		**269,785,785**	129,756,307	-
Repairs and maintenance		**268,152,776**	134,309,263	268,589
Insurance		**140,846,298**	72,951,724	-
Employee benefits		**109,377,009**	-	-
Representation and entertainment		**90,229,663**	33,603,823	109,553
SSS/Medicare and HDMF contributions		**84,189,783**	42,790,514	-
Retirement benefits cost	26	**80,023,347**	52,152,980	-
Transportation		**76,679,239**	32,254,694	3,503,738
Input VAT allocable to exempt sales		**73,214,131**	45,229,570	-
Fuel and oil		**56,336,084**	25,941,994	-
Professional fee		**54,962,652**	-	2,582,623
Distribution costs		**50,594,798**	-	-
Deficiency tax		**34,966,423**	-	-
Royalty expense	25	**33,317,078**	18,413,860	-
Association dues		**11,694,951**	-	-
Staff costs		**7,144,425**	-	7,597,961
Provision for doubtful accounts		**6,371,835**	-	-
Listing fee		**3,186,625**	-	-
Penalty charges		**2,275,294**	-	-
Oil exploration		**1,743,317**	2,549,869	1,428,763
Provision for unrecoverable deferred mineral exploration costs	15	-	32,648,397	3,526,579
Membership fees		-	12,595,700	311,560
Donations and contributions		-	4,979,020	-
Others		**60,804,338**	131,187,412	1,179,042
		P11,130,394,999	P5,894,115,883	P22,364,857

25. Others

	Note	2014	2013
Commission income		**P50,370,662**	P50,126,645
Gain on insurance claim		**26,143,753**	-
Reimbursement of expenses		**24,998,078**	-
Parking fee		**18,968,199**	1,650,612
Unrealized valuation gain on trading securities	*8*	**8,581,093**	6,079,145
Gain on disposal of property and equipment		**370,329**	509,540
Bank charges		**(7,829,860)**	(3,772,253)
Share in result of an associate		**(10,925,730)**	-
Foreign exchange loss		**(48,073,684)**	(847,376)
Miscellaneous		**10,697,132**	(464,060)
		P73,299,972	P53,282,253

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

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

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

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 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	**2014**	*a*	**P5,780,297**	**P1,895,737**	**P7,676,034**	Due and demandable; non-interest bearing	Unsecured
	2013		- -	-	-		
Under Common Control							
▪ Advances	**2014**	*b*	**13,851,299**	**16,148,701**	**25,607**	Due and demandable; non-interest bearing	Unsecured
	2013		-	-	-		
▪ Rent expense	**2014**	*g*	**6,616,944**	-	-	Due and demandable, non-interest bearing	Unsecured
	2013		5,196,739	-	-		
Associates							
▪ Throughput fees	**2014**	*c*	**30,000,000**	-	**8,250,000**	Outstanding balance is settled in cash within a month after the end of each quarter; non-interest bearing	Unsecured
	2013		-	-			
				-			
▪ Loans	**2014**	*d*	**14,983,614**	-	-	Due and demandable;	Unsecured
	2013			-			
▪ Concession expense	**2014**	*e*	**478,759,373**	-	-	Due and demandable; non-interest bearing	Unsecured
	2013		440,291,377	-	23,550,996		
Key Management Personnel		*f*					
▪ Royalty expense	**2014**		**33,317,078**	-	**26,654,003**	Due and demandable; non-interest bearing	Unsecured
	2013		18,413,860	-	24,625,864		
▪ Short-term benefits	**2014**		**73,344,955**	-	-		
	2013		83,311,531	-	276,461		
▪ Post-employment benefits	**2014**		-	-	-		
	2013		6,384,368	-	-		
Total	**2014**			**P18,044,438**	**P42,605,644**		
Total	2013			P -	P48,453,321		

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. Advances

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

e. Consignment and Concession

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

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

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

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

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

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

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

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

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

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

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

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

f. Royalty Agreement

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

g. Lease of Building

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

h. As at December 31, 2014, receivables and payables amounting to P1 billion each were eliminated upon consolidation.

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 27, 2013. Valuations are obtained on a periodic basis.

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

	2014	2013
Balance at January 1	**P293,041,032**	(P2,144,266)
Included in profit or loss		
Current service cost	**63,434,907**	37,517,390
Interest cost	**16,955,785**	14,635,590
Interest income on plan assets	**(167,107)**	-
	80,223,585	52,152,980
Included in other comprehensive income		
Remeasurements loss (gain):		
Changes in financial assumptions	**(780,626)**	-
Changes in demographic assumptions	**(64,812)**	-
Actuarial loss (gain) arising from:		
Financial assumptions	**67,091,416**	(68,547,660)
Experience adjustment	**(12,064,685)**	24,909,744
Return on plan assets excluding interest income	**234,492**	-
	54,415,785	(43,637,916)
Effect of business combination	**30,755,720**	286,670,234
Balance at December 31	**P458,436,122**	P293,041,032

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

	2014	2013
Present value of defined benefits obligation	P458,436,122	P293,041,032
Fair value of plan assets	(25,000,000)	-
Retirement benefits liability	P433,436,122	P293,041,032

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

	2014	2013
Current service cost	P63,434,907	P55,248,857
Interest expense on the defined benefit liability	16,955,785	14,635,590
Interest income on plan assets	(167,107)	-
	P80,223,585	P69,884,447

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

	2014	2013
Cumulative actuarial loss at beginning of year	P3,600,700	P47,238,616
Actuarial loss (gain) due to increase in defined benefit obligation	54,415,785	(43,637,916)
Effect of business combination	13,116,992	-
Cumulative actuarial loss at end of year	P71,133,477	P3,600,700

The cumulative actuarial loss, net of deferred income taxes, amounted to P38.1 million and P30.5 million as at December 31, 2014 and 2013, respectively, as presented in the consolidated statements of changes in equity.

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

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

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

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

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

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

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

	Increase	Decrease
Discount rate (1% movement)	(P88,476,603)	P78,228,405
Future salary increase rate (1% movement)	103,259,717	(57,799,820)

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:

	2014				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P458,436,122**	**P94,009,260**	**P13,616,702**	**P19,019,824**	**P61,372,734**

	2013				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P293,041,032	P53,279,588	P9,685,379	P12,740,105	P30,854,104

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 2015.

28. Income Taxes

The income tax expense for the years ended December 31 consists of:

	2014	2013
Current tax	**P2,606,099,516**	P1,493,551,277
Deferred tax	**(152,581,964)**	(142,404,163)
	P2,453,517,552	P1,351,147,114

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 years ended December 31 is as follows:

	2014	2013	2012
Income before income tax	**P8,689,019,191**	P5,082,352,623	P10,789,271
Income tax expense at the statutory income tax rate:			
30%	**P2,750,847,690**	P1,516,142,958	P3,236,781
5%	**6,192,440**	4,120,060	-
Income tax effects of:			
Nondeductible other expenses	**31,329,842**	854,553	-
Nondeductible expense	**24,081,712**	125,767,036	8,758
Non-deductible interest expense	**2,249,699**	7,266,181	-
Expired NOLCO	**1,737,899**	-	-
Expired MCIT	**356,158**	616,771	799,045
Dividend income subjected to final tax	**(195,297,502)**	(274,254,372)	(392,123)
Recognition of unrecognized DTA	**(97,647,259)**	735,141	-
Interest income subjected to final tax	**(46,115,638)**	(53,449,474)	-
Deduction from gross income due to availment of optional standard deduction	**(15,340,024)**	-	-
Non-taxable income-net subjected to final tax	**(2,522,461)**	-	(4,908,757)
Non-taxable rental income	**(817,522)**	-	-
Capital gain/loss subjected to capital gains tax	**(180,058)**	-	-
Changes in unrecognized DTA	**(5,357,424)**	**23,348,260**	1,275,594
	P2,453,517,552	P1,351,147,114	P19,298

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:

	2014 DTA (DTL)	2013 DTA (DTL)
Accrued rent expense	**P655,581,040**	P477,899,454
Retirement benefits liability	**123,068,164**	76,779,889
NOLCO	**120,086,493**	17,346,595
Allowance for impairment losses on receivables	**49,337,160**	8,777,411
Discounting of customers deposit	**27,728,867**	23,788,986
Actuarial losses	**14,462,674**	9,219,994
MCIT	**4,199,446**	327,358
Advanced rentals	**2,051,081**	-
Security deposit adjustment (asset)	**1,487,782**	-
Deferred rent income	**1,558,133**	30,719,188
Provision for gas cylinders	**510,000**	-
Unrealized foreign exchange loss	**402,286**	1,145,991
Recognition of DTA	**122,892**	116,919
DTA	**1,000,596,018**	646,121,785
Fair value of intangible assets from business combination	**(1,379,734,058)**	(1,379,734,058)
Accrued rent income	**(218,395,710)**	(136,982,665)
Security deposit adjustment (liability)	**(26,434,774)**	(7,656,468)
Prepaid rent	**(6,774,144)**	(6,300,000)
Discounting of customers deposit	**(1,793,329)**	(1,356,468)
Accrued interest income	**(729,547)**	-
Unrealized foreign exchange loss	**(299,754)**	-
DTL	**(P1,634,161,316)**	(P1,532,029,659)
Net	**(P633,565,298)**	(P885,907,874)

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
2011	P16,659,745	(P16,659,745)	P-	2014
2012	22,654,191	-	22,654,191	2015
2013	376,230,238	(50,126,928)	326,103,310	2016
2014	104,036,834	-	104,036,834	2017
	P519,581,008	(P66,786,673)	P452,794,335	

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
2011	P1,458,011	(P1,458,011)	P-	2014
2012	2,612,079	-	2,612,079	2015
2013	1,316,275	-	1,316,275	2016
2014	2,568,707	-	2,568,707	2017
	P7,955,072	(P1,458,011)	P6,497,061	

29. Equity

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

Amount

	Note	2014	2013
Authorized	1	**P10,000,000,000**	P10,000,000,000
Issued and outstanding:			
Balance at beginning of year		P7,405,263,564	P1,275,000,000
Stock issuances during the period	1	-	6,130,263,564
Balance at end of year		**P7,405,263,564**	P7,405,263,564

Number of shares

	Note	2014	2013
Authorized - (2014 - P1 par value, 2013 - P1 par value)	1	10,000,000,000	10,000,000,000
Issued and outstanding			
Balance at beginning of year		7,405,263,564	1,275,000,000
Stock issuances during the period	1	-	6,130,263,564
Balance at end of year		7,405,263,564	7,405,263,564

Capital Stock and Additional Paid-in Capital

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

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

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

As at December 31, 2014 and 2013, the number of shares issued and outstanding totaled 7,405,263,564. Additional paid-in capital amounted to P79,827,987,885 in 2014 and 2013.

The Parent Company has not yet implemented the stock option plan to qualified employees as at December 31, 2014 and 2013.

Treasury Stocks

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. As at December 31, 2014, the Parent Company already bought back 472,200 shares with acquisition cost of P3,963,490 and was classified in the Parent Company's book as treasury stocks.

Retained Earnings

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

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

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

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	June 27, 2014	July 11, 2014	July 28, 2014	P444,315,814
Cash	December 18, 2014	January 12, 2015	February 5, 2015	592,421,085
				P1,036,736,899

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:

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
Mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

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

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

Segment Revenue and Results

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

	Segment Revenues		**Segment Profit**	
	2014	2013	**2014**	2013
Retail	**P84,697,390,792**	P44,624,471,402	**P4,520,457,686**	P2,548,282,734
Specialty retail	**19,999,219,952**	-	**399,556,122**	-
Liquor distribution	**4,840,817,814**	2,613,882,290	**603,431,864**	393,821,390
Real estate	**2,191,485,129**	1,180,990,038	**970,581,457**	383,369,519
Holding and mining	**102,607,934**	584,427,844	**662,115,862**	476,363,042
Total	**111,831,521,621**	49,003,771,574	**7,156,142,991**	3,801,836,685
Eliminations	**13,044,777,781**	27,632,511	**920,641,352**	70,631,176
	P98,786,743,840	P48,976,139,063	**P6,235,501,639**	P3,731,205,509

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

	2014	2013
Retail		
From external customers	P84,697,390,792	P46,024,322,583
From intersegment sales	-	-
	84,697,390,792	46,024,322,583
Specialty retail		
From external customers	8,950,174,551	-
From intersegment sales	309,371	-
Pre-acquisition earnings	11,048,736,030	-
	19,999,219,952	-
Real estate		
From external customers	1,379,054,373	580,271,253
From intersegment sales	563,580,829	400,718,785
Pre-acquisition earnings	248,849,927	-
	2,191,485,129	980,990,038
Liquor distribution		
From external customers	3,717,052,727	1,824,569,366
From inter-segment sales	1,123,765,087	629,312,924
	4,840,817,814	2,453,882,290
Holding and mining		
From external customers	49,059,547	161,167,688
From inter-segment sales	53,548,387	423,260,156
	102,607,934	584,427,844
Total revenue from external customers	P98,792,731,990	P48,590,330,890
Total intersegment sales	P1,741,203,674	P1,453,291,865
Pre-acquisition earnings	P11,297,585,957	P -

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

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

	2014	2013
Segment Assets		
Retail	**P53,666,395,695**	P49,625,644,062
Real estate	**17,845,539,557**	16,845,555,757
Specialty retail	**4,017,731,147**	-
Liquor	**4,709,056,173**	2,488,629,137
Holding, oil storage and mining	**97,954,715,405**	89,063,042,282
Total segment assets	**178,193,437,977**	158,022,871,238
Intercompany assets	**88,494,858,437**	82,900,575,075
Total assets	**P89,698,579,540**	P75,122,296,163
Segment Liabilities		
Retail	**P19,432,901,026**	P19,039,344,061
Specialty retail	**1,628,238,975**	-
Real estate	**6,007,828,276**	5,722,409,033
Liquor	**2,589,759,625**	972,982,017
Holding, oil storage and mining	**9,625,148,334**	368,136,987
Total segment liabilities	**39,283,876,236**	26,102,872,098
Intercompany liabilities	**9,264,061,033**	5,811,396,920
Total liabilities	**P30,019,815,203**	P20,291,475,178

31. Basic/Diluted EPS Computation

Basic EPS is computed as follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent Company (a)	**P4,026,866,478**	P2,482,546,969	P10,769,973
Weighted average number of ordinary shares (b)	**7,405,263,564**	4,708,542,190	74,694,094,277
Basic/Diluted EPS (a/b)	**P0.543784**	P0.527243	P0.000144

As at December 31, 2014, 2013 and 2012, 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	2014	2013
Cash in banks and cash equivalents	*4*	**P14,354,179,316**	P14,024,048,097
Short-term investments	*5*	**824,078,115**	500,000,000
Receivables – net	*6*	**5,321,986,551**	2,818,808,266
Due from related parties	*26*	**18,044,438**	-
AFS – current	*9*	**6,363,758**	5,918,335
AFS - noncurrent*	*11*	**398,776,037**	379,775,237
Security deposits**	*16*	**1,240,131,409**	884,090,991
		P22,163,559,624	P18,612,640,926

**Included under investments*

***Included under noncurrent asset*

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

	December 31, 2014					
	Neither	Past Due but not Impaired				
	Past Due nor Impaired	1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P14,354,179,316	P -	P -	P -	P -	P14,354,179,316
Short-term investments	824,078,115	-	-	-	-	824,078,115
Receivables – net	3,193,191,931	1,064,397,310	798,297,983	266,099,328	164,457,192	5,486,443,743
Due from related parties	18,044,438	-	-	-	-	18,044,438
AFS - current	6,363,758	-	-	-	-	6,363,758
AFS - noncurrent	398,776,037	-	-	-	-	398,776,037
Security deposits	1,240,131,409	-	-	-	-	1,240,131,409
	P20,034,765,004	P1,064,397,310	P798,297,983	P266,099,328	P164,457,192	P22,328,016,816

	December 31, 2013					
	Neither	Past Due but not Impaired				
	Past Due nor Impaired	1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P14,024,048,097	P -	P -	P -	P -	P14,024,048,097
Short-term investments	500,000,000	-	-	-	-	500,000,000
Receivables – net	1,564,879,848	331,537,784	483,954,238	417,855,016	20,581,380	2,818,808,266
Investments in trading securities	28,867,376	-	-	-	-	28,867,376
AFS - current	5,918,335	-	-	-	-	5,918,335
AFS - noncurrent	379,775,237	-	-	-	-	379,775,237
Security deposits	884,090,991	-	-	-	-	884,090,991
	P17,358,712,508	P331,537,784	P483,954,238	P417,855,016	P20,581,380	P18,612,640,926

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

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

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

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

Liquidity Risk

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

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

	As at December 31, 2014				
	Carrying Amount	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year - 5 Years**	**More than 5 Years**
Financial Liabilities					
Accounts payable and accrued expenses[1]	P12,357,621,590	P12,357,621,590	P12,357,621,590	P -	P -
Short-term loans payable	2,259,100,000	2,272,364,960	2,272,364,960	-	-
Trust receipts payable	-	-	-	-	-
Due to related parties	42,605,644	42,605,644	42,605,644	-	-
Long-term Debt including Current Portion	9,866,403,220	12,075,406,820	3,344,077,700	1,994,864,800	6,736,464,320
Other current liabilities[2]	261,804,557	261,804,557	261,804,557	-	-
Noncurrent accrued rent	2,068,506,537	2,068,506,537	76,598,218	216,580,847	1,775,327,472
	P26,856,041,548	P29,078,310,108	P18,355,072,669	P2,211,445,647	P8,511,791,792

[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, 2013				
	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]	P11,381,347,173	P11,381,347,173	P11,381,347,173	P -	P -
Short-term loans payable	1,212,000,000	1,326,541,767	1,326,541,767	-	-
Trust receipts payable	16,543,219	16,543,219	16,543,219	-	-
Due to related parties	48,453,321	48,453,321	48,453,321	-	-
Long-term Debt including Current Portion	3,451,714,933	3,463,700,000	500,000,000	2,963,700,000	-
Other current liabilities[2]	234,436,522	234,436,522	234,436,522	-	-
Noncurrent accrued rent	1,599,368,798	1,599,368,798	69,318,049	103,749,302	1,426,301,447
	P17,943,863,967	P18,070,390,801	P13,576,640,052	P3,067,449,302	P1,426,301,447

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

Interest Rate Risk

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

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

	2014	2013
Financial assets		
Cash in banks	**P2,877,998,722**	P2,349,103,633
Money market placement	**11,476,180,594**	11,674,944,464
Short-term investments	**824,078,115**	500,000,000
	15,178,257,431	14,524,048,097
Financial Liability		
Notes payable	**9,866,403,220**	3,451,714,933
	P5,311,854,211	P11,072,333,164

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 December 31, 2014 pertains to its cash in bank which is denominated in US dollar.

The Group's foreign currency denominated assets as at December 31, 2014 and 2013 follow:

	As at December 31, 2014				
Currency	**Current Assets**	**Current Liabilities**	**Net Foreign Currency Liabilities**	**Exchange Rate**	**PHP Equivalent**
USD	**7,201,987**	**(9,145,180)**	**(1,943,193)**	**44.720**	**(P86,899,591)**
EUR	**464**	**(268,781)**	**(268,317)**	**54.339**	**(14,580,077)**
AUD	**-**	**(100,773)**	**(100,773)**	**36.206**	**(3,648,587)**
SGD	**-**	**(46,575)**	**(46,575)**	**33.700**	**(1,569,578)**
					(P106,697,833)

	As at December 31, 2013				
Currency	Current Assets	Current Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	6,790,746	(55,328,308)	(48,537,562)	44.395	(P2,154,825,065)
EUR	-	(495)	(495)	60.816	(30,104)
AUD	-	(4,633)	(4,633)	39.458	(182,809)
					(P2,155,037,978)

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 P2,133,957 and by P1,493,770 as at December 31, 2014 and 2013, respectively.

A 2% increase in the foreign exchange rates, with all other variables held constant would have increased the Group's income after tax and equity by P43,100,760 and by P30,170,532 as at December 31, 2014 and 2013, respectively.

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 December 31, 2014 and 2013.

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

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

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

Accounts Payable and Accrued Expenses, Trust Receipts Payable, Due to Related Parties, Other Current Liabilities and Noncurrent Accrued Rent
The carrying amounts of accounts payable and accrued expenses, trust receipts payable, due to related parties and other current liabilities approximate the fair value due to the relatively short-term maturities of these financial instruments. The difference between the carrying amounts and fair values of noncurrent accrued rent and other current liabilities is considered immaterial by management.

Short and Long-term Loans including Current Maturities
The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Effective rates used in 2014 and 2013 ranges from 3.50% to 3.61% and 3.50% to 3.61%, respectively.

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

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

As at December 31, 2014 and 2013, the Group's investment in trading securities and AFS were measured based on Level 1.

As at December 31, 2014 and 2013, 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.

34. Events Subsequent to Reporting Date

On December 18, 2014, the Parent Company's BOD approved the acquisition of five (5) commercial properties from NE Incorporated. The acquisition was completed on February 3, 2015.

On the same date, PPCI's BOD approved the acquisition of nine (9) supermarkets from NE Incorporated. The acquisition was completed on February 3, 2015.

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PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Cosco Capital, Inc. and Subsidiaries
(Formerly Alcorn Gold Resources Corporation)
2nd Floor, Tabacalera Building #2
900 Romualdez Street, Paco, Manila

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 13, 2015.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management.

- Supplementary Schedules of Annex 68-E
- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Reconciliation of Retained Earnings Available for Dividend Declaration

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-A, Group A, valid until February 5, 2017
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2013
Issued December 2, 2013; valid until December 1, 2016
PTR No. 4748126MC
Issued January 5, 2015 at Makati City

March 13, 2015
Makati City, Metro Manila

ANNEX B

COSCO CAPITAL, INC. AND SUBSIDIARIES
PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
AND SEGMENT INFORMATION

Contents

COSCO CAPITAL, INC. AND SUBSIDIARIES

(Formerly Alcorn Gold Resources Corporation)

PRO-FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014 and 2013

(In Philippine Peso)

	(In Thousands)	
	2014	2013
A S S E T S		
Current Assets		
Cash and cash equivalents	**15,376,686**	9,151,213
Receivables - net	**5,347,419**	4,739,754
Investments in trading securities	**37,448**	28,867
Available-for-sale financial assets	**18,083**	11,458
Short-term investments	**1,128,403**	500,000
Inventories	**13,921,685**	11,920,716
Due from related parties	**1,052**	-
Prepayments and other current assets	**1,164,921**	2,077,670
	36,995,698	28,429,679
NON-CURRENT ASSETS		
Non-current Assets		
Property and equipment - net	**15,285,188**	14,700,098
Investment properties - net	**12,773,920**	12,673,061
Intangible assets	**21,438,331**	21,417,730
Investments	**932,936**	595,848
Deferred oil and mineral exploration costs	**119,168**	118,829
Loans to related parties-net of current portion	**7,995**	-
Deferred tax assets - net	**120,579**	136,971
Other non-current assets	**2,609,413**	1,253,859
	53,287,531	50,896,396
TOTAL ASSETS	**90,283,229**	79,326,075

LIABILITIES AND EQUITY		
L I A B I L I T I E S		
Current Liabilities		
Accounts payable and accrued expenses	**11,816,561**	11,614,893
Income tax payable	**829,502**	693,226
Short-term loans payable	**2,259,100**	1,901,620
Current portion of long-term borrowing	**1,007,789**	
Trust receipts payable		16,543
Due to related parties	**42,606**	2,515,283
Dividends payable	**935,454**	406,662
Other current liabilities	**408,853**	413,895
	17,299,866	17,562,122
Non-current Liabilities		
Retirement benefit cost	**433,436**	319,087
Deposits for future stock subscription	**150,313**	150,313
Deferred tax liabilities	**1,264,704**	938,850
Long-term loans payable - net of debt issue costs	**8,858,613**	3,519,591
Other non-current liabilities	**2,560,475**	1,693,519
	13,267,541	6,621,360
TOTAL LIABILITIES	**30,567,406**	24,183,482
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Equity		
Capital stock	**7,405,264**	7,405,264
Additional paid-in capital	**9,634,644**	9,634,644
Reserve for retirement plan - net of tax	-	-2,520
Remeasurements	**-49,052**	-8,441
Reserve for fluctuations in value of AFS financial assets	**-503,685**	4,565
Retained earnings	**28,477,318**	23,360,167
Total Equity Attributable to Equity Holders of Parent Company	**44,964,488**	40,393,679
Treasury shares	**-252,621**	-244,758
	44,711,867	40,148,922
Non-controlling interest	**15,003,955**	14,993,672
	59,715,823	55,142,593
TOTAL LIABILITIES AND EQUITY	**90,283,229**	79,326,075

COSCO CAPITAL, INC. AND SUBSIDIARIES

(Formerly Alcorn Gold Resources Corporation)

PRO-FORMA STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2014 and 2013

(In Philippine Peso)

	(In Thousands)	
	2014	2,013
REVENUES	**110,322,117**	96,682,590
COST OF SALES/SERVICES	**92,335,021**	81,068,180
GROSS PROFIT	**17,987,096**	15,614,410
OTHER OPERATING INCOME	**2,930,847**	2,225,993
	20,917,943	17,840,403
OPERATING EXPENSES	**11,963,941**	10,246,320
INCOME FROM OPERATIONS	**8,954,002**	7,594,083
OTHER INCOME – net	**160,430**	230,393
INCOME BEFORE INCOME TAX	**9,114,432**	7,824,476
INCOME TAX EXPENSE	**2,592,728**	2,212,812
NET INCOME FOR THE YEAR	**6,521,703**	5,611,664
Net Income Attributable to:		
Equity holders of the Parent Company	**4,306,518**	3,661,844
Non-controlling interests	**2,215,185**	1,949,821
	6,521,703	5,611,664
Earnings per share	***0.60***	*0.78*

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

(In Thousands)	Retail	Real Estate	Liquor Distribution	Parent and Mining	Specialty Retail	Elimination	Consolidated
For the Year Ended December 31, 2014							
Revenue	84,697,391	2,209,728	4,840,818	56,040	19,999,220	1,481,080	**110,322,117**
Income (Loss) from operations	6,477,902	1,172,447	880,685	-153,178	576,147		**8,954,002**
Depreciation and amortization	1,185,445	205,492	5,591	510	136,394	7,032	**1,526,401**
Finance cost	47,262	63,398	19,559	170,971	28,074		**329,264**
Finance income	17,682	46,072	279	116,444	822		**181,299**
Net income for the period	4,520,458	974,948	603,432	646,570	399,556	623,260	**6,521,703**
As at December 31, 2014							
Total current assets	20,481,245	4,505,113	4,693,145	15,388,738	2,586,147	10,658,690	**36,995,698**
Total non-current assets	33,185,150	14,354,875	15,911	81,551,900	1,431,584	77,251,891	**53,287,531**
Total current liabilities	13,835,055	3,825,995	2,579,343	4,321,967	1,449,618	8,712,113	**17,299,866**
Total non-current liabilities	5,597,846	2,565,159	10,417	4,920,160	178,621	4,661	**13,267,541**
For the Year Ended December 31, 2013							
Revenue	73,177,209	2,154,285	3,564,971	2,699	18,943,881	1,160,455	**96,682,590**
Income (Loss) from operations	5,453,948	1,044,429	782,167	-77,789	391,328		**7,594,083**
Depreciation and amortization expense	964,360	200,540	5,138	119	126,489		**1,296,646**
Finance cost	26,463	78,548	8,171	430	29,488		**143,100**
Finance income	154,993	11,865	150	271	1,151		**168,430**
Net income for the period	3,959,257	452,893	539,130	453,739	260,097	53,452	**5,611,664**
As at December 31, 2013							
Total current assets	17,505,064	3,299,477	2,473,482	10,138,069	4,185,839	9,183,709	**28,418,221**
Total non-current assets	32,120,580	15,192,120	15,147	81,511,634	1,445,543	79,377,170	**50,907,855**
Total current liabilities	12,882,096	5,865,820	966,607	3,564,419	3,466,889	9,183,709	**17,562,122**
Total non-current liabilities	6,157,248	433,125	6,375	5,509	175,242	156,138	**6,621,360**

ANNEX C

COSCO CAPITAL, INC. AND SUBSIDIARIES
SEC Supplementary Schedules and Other Documents
December 31, 2014

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SCHEDULE A. FINANCIAL ASSETS

(In Philippine Peso)

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Cash and cash equivalents		15,681,010,818	15,681,010,818	170,361,197
Short-term investments		824,078,115	824,078,115	11,700,754
Receivables-net		5,321,986,551	5,321,986,551	
Investments in trading securities	954,935	37,448,469	37,448,469	8,581,093
Available-for-sale financial assets	862,165	14,277,024	14,277,024	12,178,529
Due from related parties		10,049,370	10,049,370	
Loans to related parties-non current portion		7,995,068	7,995,068	
Other non-current assets		2,609,412,772	2,609,412,772	
	1,817,100	24,506,258,187	24,506,258,187	202,821,572

ATTACHMENT TO SCHEDULE A's INVESTMENT IN TRADING SECURITIES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In Philippine Peso)

Name of issuing entity	Number of shares	Value Based on Market Quotation at End of Reporting Period
Investment in trading securities		
Aboitiz Power	280,000	12,012,000
Banco De Oro	96,133	10,555,403
RCBC	124,500	5,976,000
Metrobank	71,802	5,959,566
PNB	20,000	1,600,000
Philex Mining Corp.	100,000	765,000
GMA PDR	50,000	337,500
Natl Reinsurance Co of the Phil	200,000	180,000
PHILEX PETROLEUM Corporation	12,500	63,000
	954,935	37,448,469

Available-for-sale financial assets

Ayala Land	199	6,706
JG Summit Holdings	88,000	5,808,000
Aboitiz	7,800	411,060
Petron	40,000	4,072,000
BPI		2,291,758
San Roque Supermarkets (SRS)		390,896,877
Manila Electric Company	726,166	7,261,660
Tower Club Shares		617,500
	862,165	411,365,561
	1,817,100	**448,814,030**

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

(In Philippine Peso)

Name and designation of debtor (i)	Balance at the beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not current	Balance at end of period
Advances							
Meritus Prime Distributions, Inc.		460,400,000			460,400,000		460,400,000
Montosco, Inc.		720,297,220			720,297,220		720,297,220
Premier Wine and Spiritis, Inc.		105,000,000			105,000,000		105,000,000
Ellimac Prime Holdings, Inc.	2,839,512,742		1,450,000,000		1,389,512,742		1,389,512,742
Fertuna Holding Corporation	104,440,647				104,440,647		104,440,647
Patagonia Holdings Corp.	917,808,125				917,808,125		917,808,125
Nation Realty, Inc.	300,965,922				300,965,922		300,965,922
118 Holdings, Inc.	35,121,854				35,121,854		35,121,854
NE Pacific Shopping Centers Corporation		1,044,830			1,044,830		1,044,830
Pure Petroleum Corp.							
Liquigaz Philippine Corporation							
Offiec Warehouse, Inc.		1,518,569			1,518,569		1,518,569
Canaria Holdings Corporation		3,526,467,660			3,526,467,660		3,526,467,660
Alcorn Petroleum and Minerals Corporation	4,130,380	621,458			4,751,838		4,751,838
Dividends							
Puregold Price Club, Inc.		423,260,180			423,260,180		423,260,180
NE Pacific Shopping Centers Corporation		50,000,000			50,000,000		50,000,000
Nation Realty, Inc.		50,000,000			50,000,000		50,000,000
Patagonia Holdings Corp.		50,000,000			50,000,000		50,000,000
Ellimac Prime Holdings, Inc.		50,000,000			50,000,000		50,000,000
Receivables							
Liquigaz Philippine Corporation		51,955,847			51,955,847		51,955,847
	4,201,979,669	5,490,565,764	1,450,000,000	-	8,242,545,433		8,242,545,433

SCHEDULE D. INTANGIBLE ASSETS-OTHER ASSETS

(In Philippine Peso)

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions(deductions) (iii)	Ending balance
Goodwill	13,191,340,917	2,869,487,699				16,060,828,616
Trademark	3,709,660,547					3,709,660,547
Customer relationships	889,452,981					889,452,981
Computer software and licenses-net	136,713,077	28,558,800				165,271,877
Leasehold rights	73,720,297		(3,769,709)			69,950,588
	18,000,887,819	**2,898,046,499**	**(3,769,709)**			**20,895,164,609**

SCHEDULE E. LONG TERM DEBT

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
Short-term loans payable		2,259,100,000	
Current portion of long-term borrowing		1,007,789,300	
Long-term loans payable - net of debt issue costs			8,858,612,707
		3,266,889,300	**8,858,612,707**

ATTACHMENT TO SCHEDULE E LONG TERM DEBT

(In Philippine Peso)

Type	Outstanding Balance
Short-term	
Short-term based on 2.375%	895,600,000
Short-term based on 2.75%	780,000,000
Short-term based on 2.5%	75,000,000
Short-term based on 3.75%	508,500,000
	2,259,100,000
Current portion of long-term borrowing	
Fixed rate note based on 3.25%	962,920,038
Corporate Notes based on 5.2667% and 5.579%	44,869,262
	1,007,789,300
Long-term loans payable - net of debt issue costs	
Corporate Notes based on 5.2667% and 5.579%	4,915,499,368
Fixed rate note based on 3.5%	2,493,114,552
Fixed rate note based on 4.5%	1,450,000,000
	8,858,613,920

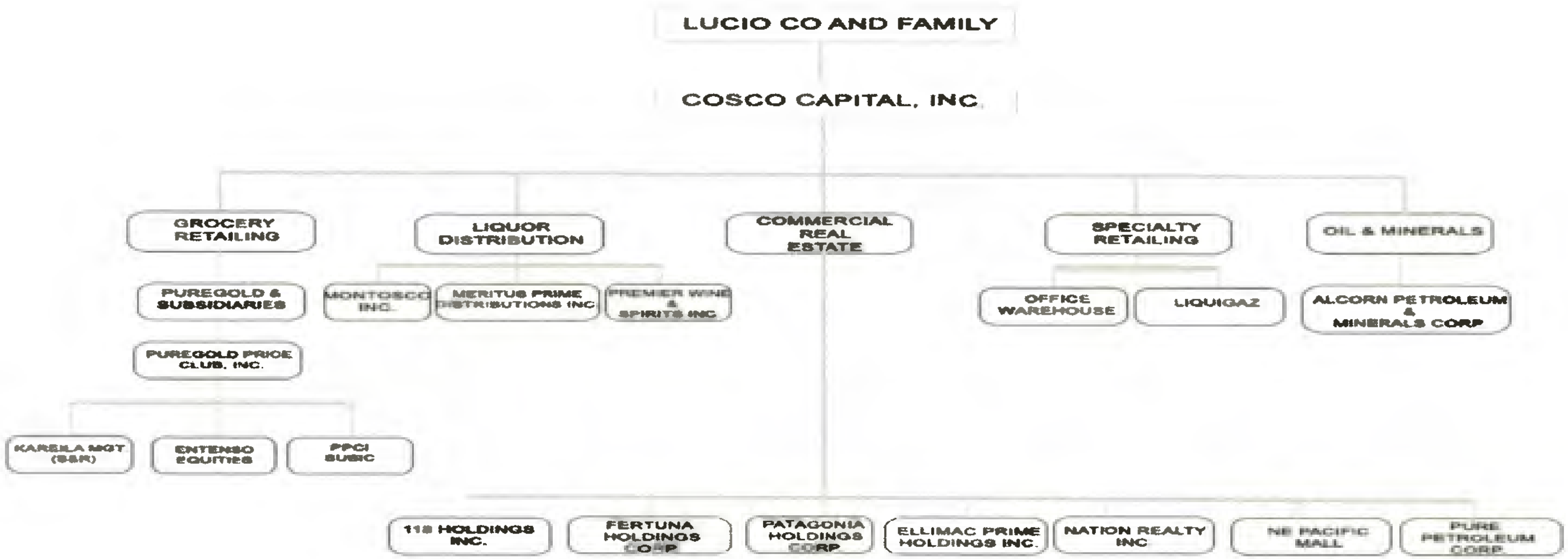
SCHEDULE H. CAPITAL STOCK

(In Philippine Peso)

Title of Issue (i)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
COMMON STOCK	10,000,000,000	7,405,263,564		1,282,579,727	4,107,044,266	2,015,639,571

- On June 28, 2007, the BOD approved the increase in authorized capital stock from P700,000,000 to P3,000,000,000 divided into 300 billion common shares with the same rights and privileges and with a par value of P0.01 per share. On the same date, the BOD approved the issuance of up to 5% of the authorized capital stock of the Company to qualified employees and persons through an Employees Stock Ownership Plan.
- On June 8, 2010, the SEC approved the Company's application to increase its authorized capital stock as discussed above. During 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 capital stock from P3,000,000,000 divided into 300,000,000,000 shares with par value of P0.01 each, to P10,000,000,000 shares with par value of P1.00 each. On the same date, the SEC approved the increase in capital stock of seven billion shares.
- As at December 31, 2014 and 2013, number of shares issued and outstanding totaled 7,405,263,564. Additional paid-in capital amounted to P79,827,987,885 in 2014 and 2013.
- The Company has not yet implemented the stock option plan to qualified employees as at December 31, 2014 and 2013.
- On December 18, 2014, the BOD approved to buy back the Company's shares up to P1.00 billion or approximately 30.0 million shares within one year from the approval or until November 4, 2015. As at December 31, 2014, the Company already bought back 472,200 shares with acquisition cost of P3,963,490 and was classified in the Company's book as treasury shares.

SCHEDULE I. CONGLOMERATE MAP



On March 25, 2014, the BOD approved the merger of the Parent Company with Company E Corporation (Company E, entity under common control). It was then ratified by at least two-thirds (2/3) votes of the stockholders on May 13, 2014 during the annual stockholders' meeting with salient features. The Parent Company's application was filed on September 19, 2014 and is still awaiting approval from SEC and Department of Justice.

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

Cosco Capital, Inc. finalized the acquisition of the outstanding shares of Office Warehouse, Inc. pursuant to agreement to purchase signed on February 18, 2014. Office Warehouse, Inc.

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

COSCO CAPITAL, INC.

900 Romualdez Street, Paco, Manila, Philippines

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

		(Figures based on audited financial statements as at and for the year ended December 31, 2014)
Unappropriated Retained Earnings, *beginning*		**P551,249,788**
Adjustments in previous year's Reconciliation		**-**
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, December 31, 2013*		**551,249,788**
Net income actually incurred during the period		**601,283,856**
Add (Less):		
Dividends declaration during the period	**(P1,036,736,899)**	
Treasury shares	**(3,963,490)**	**(1,040,700,389)**
TOTAL RETAINED EARNINGS, DECEMBER 31, 2014 AVAILABLE FOR DIVIDEND		**P111,833,255**

Cosco Capital, Inc. and Subsidiaries

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✔
PFRS 8	Operating Segments	✔		
PFRS 9	Financial Instruments	✔		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✔
PFRS 10	Consolidated Financial Statements	✔		
PFRS 11	Joint Arrangements	✔		
PFRS 12	Disclosure of Interests in Other Entities			✔
PFRS 13	Fair Value Measurement	✔		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendment to PAS 1: Capital Disclosures	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Balance Sheet Date	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19	Employee Benefits	✔		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✔		
PAS 19 (Amended)	Employee Benefits	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✔		
PAS 27 (Amended)	Separate Financial Statements	✔		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✔		
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 31	Interests in Joint Ventures	✔		
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights Issues			✔
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting			✔
PAS 36	Impairment of Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option	✔		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	of Financial Assets – Effective Date and Transition			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✔
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✔
IFRIC 8	*Scope of PFRS 2*			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	*Interim Financial Reporting and Impairment*			✔
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✔		
IFRIC 12	Service Concession Arrangements	✔		
IFRIC 13	Customer Loyalty Programmes	✔		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
SIC-7	Introduction of the Euro			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-12	Consolidation - Special Purpose Entities	✔		
	Amendment to SIC - 12: Scope of SIC 12			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives	✔		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures.	✔		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

ANNEX D

ANNUAL CORPORATE GOVERNANCE REPORT
DECEMBER 31, 2014

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

Report is Filed for the Year	December 31, 2014
Exact name of Registrant as specified in its Charter	Cosco Capital, Inc.
Address of Principal Office andPostal Code	No. 900 Romualdez St., Paco, Manila 1007
SEC Identification Number	147669
BIR Identification Number	000-432-378
Industry Classification Code (for SEC Use only)	
Issuer's Telephone Number, including area code	(632) 523 3055
Former name or former address, if changed from the last report	Alcorn Gold Resources Corporation
Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA	Outstanding Shares – 7,405,263,564
Other Matters	AGRC

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	7 directors inclusive of the 2 independent directors

Actual number of Directors for the year	7 directors

(a) Composition of the Board

Director	Type	Principal	Nominator	Date 1st elected	Date last elected	Elected when	Term
Lucio L. Co	Executive Director	None	Leonardo B. Dayao	October 1997	June 27, 2014	Annual Meeting	18 years
Susan P. Co	Executive Director	None	Leonardo B. Dayao	August 2013	June 27, 2014	Annual Meeting	2 years
Leonardo B. Dayao	Executive Director	None	Lucio L. Co/no relation	October 1997	June 27, 2014	Annual Meeting	17 years
Eduardo F. Hernandez	Non Director	None	Lucio L. Co/no relation	September 1988	June 27, 2014	Annual Meeting	26years
Levi B. Labra	Non -Executive Director	None	Lucio L. Co/no relation	August 2013	June 27, 2014	Annual Meeting	1 year
Oscar S. Reyes	Independent Director	None	Lucio L. Co/no relation	July 2009	June 27, 2014	Annual Meeting	1 year
Robert Y. Cokeng	Independent Director	None	Lucio L. Co/no relation	September 1988	June 27, 2014	Annual Meeting	1 year

***Brief summary of the corporate governance policy that the board of directors has* adopted with emphasis on the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.**

On February 28, 2011, Cosco adopted the Revised Manual on Corporate Governance per SEC Circular No. 6. Quoted below are the specific provisions in the said Manual related to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities:

RESPONSIBILITIES, DUTIES AND FUNCTIONS OF THE BOARD

General Responsibility

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

Duties and Functions

To ensure a high standard of best practice for the Corporation and its stockholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

1. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.

2. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.

3. Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.

4. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporation's CEO or chief financial officer shall exercise oversight responsibility over this program.

5. Identify the sectors in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.

6. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.

7. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.

8. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the board.

9. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

10. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.

11. Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.

12. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.

13. Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

The Board shall respect the rights of the stockholders as provided for in the Corporation Code; namely;

1. Right to vote on all matters that require their consent or approval;
2. Right to inspect corporate books and records;
3. Right to information;
4. Right to dividends; and
5. Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be make available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets.

It is therefore essential that all material information about the Corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Securities and Exchange Commission.

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer.

(b) How often does the Board review and approve the vision and mission?

Cosco is currently undergoing major restructuring both in terms of operations, business lines and financial system. From an oil exploration company it has now converted itself into a holding company of the Lucio Co Group of Companies with businesses focused on retail, liquor, commercial real estate and oil and minerals. In line with this, we shall be soon revising the Company's Vision and Mission.

We shall immediately update the Commission once we have already come up with Vision and Mission that is most germane to the current business of Cosco.

(c) Directorship in Other Companies

(i) Directorship in the Company's Group

The following are the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Name of Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman)
Lucio L. Co	Puregold Price Club, Inc.	Executive, Chairman
Leonardo B. Dayao	Puregold Price Club, Inc.	Executive, President
Susan P. Co	Puregold Price Club, Inc.	Executive, Director

(ii) **Directorship in Other Listed Companies**

The following are the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman)
Lucio L. Co	Puregold Price Club, Inc. Da Vinci Holdings, Inc.	Executive Executive
Leonardo B. Dayao	Puregold Price Club, Inc.	Executive
Oscar S. Reyes	Bank of the Philippine Islands Manila Water Co. Ayala Land, Inc. Philippine Long Distance Telephone Company Manila Electric Company Pepsi Cola Products Phil., Inc. Basic Energy Corp.	Director; Non-executive Independent Director; Non-executive Independent Director; Non-executive Director; Non-executive Director; Executive Chairman; Executive Independent Director; Non-executive

Robert Y. Cokeng	F&J Prince Holdings Corporation	Director; Executive

(iii) **Relationship within the Company and its Group**

Relationship among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Lucio L. Co	Susan P. Co	Wife
Susan P. Co	Lucio L. Co	Husband

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

None yet but the Company intends to adopt a guidelines setting limit on number of board seats in other companies.

(d) Shareholding in the Company

The following are the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct Shares	Number of Indirect Shares/Through (name of record owner)	% of Capital Stock
Lucio L. Co	2,282,116,129	16,409,063 under Strategic Equities 8,536,500 under King's Power 10,337,900 under Ansaldo Godinez 103,500 under SB Equities	31.30%
Susan P. Co	1,777,124,852	3,057,378 under Strategic Equities	24.04%
Leonardo B. Dayao	163,778	393,602 under Kings Power	0.01%
Eduardo F. Hernandez	120,000	None	0.00%
Levi B. Labra	None	100 under Ansaldo Godinez	0.00%
Oscar S. Reyes	54,264	None	0.00%
Robert Y. Cokeng	None	8,155,000 under HDI Securities	0.11%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes / x /　　　　No /　/

Name of the Chair and the CEO:

Chairman of the Board	Lucio L. Co
President	Leonardo B. Dayao

(b) Roles, Accountabilities and Deliverables

Define and clarify the notes, accountabilities and deliverables of the Chairman and CEO.

Considering the very recent restructuring of the Company, we are now in the process defining the roles, accountabilities, and deliverables of the Chairman and the President.

We will immediately furnish the Commission once the Company has already set the said roles, accountabilities, and deliverables of the Chairman and the President.

(c) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

With the new businesses of the Company, it is expected that more professionals will be hired and shall be trained to continue the business.

3) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board?

Yes, the Company ensures diversity of experience and background of directors in the board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The Manual on Corporate Governance requires that a Director must have practical understanding the business of the Company. However, it is always the consideration of the Company to ensure that at least one non-executive director has an experience in the sector or industry the company belongs to.

In fact, Mr. Levi Labra, non-executive director, has been in the retail industry for the longest time, being with the Procter & Gamble for the past 35 years.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

The Company will establish clear policy on the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company adopts the definition of "independence" consistent with the SEC regulations as "*one person, who apart from his fees and shareholdings, is independent of management and free from any business or other relationship which would, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director*".

The Company complies with the said definition as can be proven by the fact that its current independent directors, Mr. Oscar S. Reyes and Mr. Jaime S. Dela Rosa, are indeed independent from the management and free from any business or other relationship which would, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out their responsibilities as independent directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company complies with Securities and Regulation Code that limits to five continous service of independent directors and two cooling off period before bringing back an independent director.

4) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

On August 30, 2013, Mr. Levi Labra and Susan P. Co were elected as directors of the Company replacing Mr. Teofilo Henson and Mr. Jaime Dela Rosa.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Stated below are the procedures and the processes for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors.

A.Selection Appointment B. Re-appointment C. Reinstatement	Executive Director Non Executive Director Independent Directors
Procedure/Process Adopted	Executive Directors are selected by the Nomination Committee. The Nomination Committee usually receives nominations of candidates for directorship and screened them against the qualifications and disqualifications as stated in the Company's Revised Manual on Corporate Governance
Criteria	In addition to the qualifications for membership in the Board provided by the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications, which include, among others, the following: >College education or equivalent academic degree; >Practical understanding of the business of the Corporation; >Membership in good standing in relevant industry, business or professional organizations; >Previous experience;
D.Permanent Disqualification	Executive Director Non Executive Director Independent Directors
Procedure/Process Adopted	The Board acting as a collegial body shall act on any ground for disqualification that may come to its knowledge.
Criteria	The following shall be grounds for the permanent disqualification of a director: >Any person convicted by final judgment or order by a competent judicial or administrative body of any crime

	that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; >Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities. >The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization; >Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; >Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation code or any other law administered by the Commission or BSP, or any of its rule, regulation or order; >Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

	>Any person judicially declared as insolvent; >Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs 4.5.1.1 to 4.5.1.5 above; >Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.
E.Temporary Disqualifications F. Suspensions	Executive Director Non Executive Director Independent Directors
Procedure/Process Adopted	The Board acting as a collegial body shall act on any ground for temporary disqualification/suspensions that may come to its knowledge.
Criteria	The Board may provide for the temporary disqualification of a director for any of the following reasons: >Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing Rules Regulations. The disqualification shall be in effect as long as the refusal persists. >Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election. >Dismissal or termination for cause as director, and that the disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination. >If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. >If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final. >A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.
E. Removal	Executive Director Non Executive Director Independent Directors
Procedure/Process Adopted	Removal process will be conducted by the Board of

	Directors.
Criteria	If a director fails to pass the qualification and/or subject to disqualifications as stated in table above, he may be removed from office.

Voting Result of the 2014 Annual General Meeting

Name of Director	Votes Received
Lucio L. Co	6,452,260,598 or 87%
Susan P. Co	6,459,900,798 or 87%
Leonardo B. Dayao	6,286,933,398 or 85%
Eduardo Hernandez	6,459,900,798 or 87%
Levi Labra	6,158,704,798 or 83%
Oscar Reyes	6,244,375,098 or 84%
Robert Y. Cokeng	6,453,392,898 or 87%

6) **Orientation and Education Program**

(a) **Disclose details of the company's orientation program for new directors, if any.**

The Company has not yet come up with such orientation program for the new directors.

(b) **State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years:**

Directors and Senior Management of the Company attended seminars re Corporate Governance conducted by the Philippine Securities Consultancy Corporation held on December 14, 2011 at Dusit Hotel, Makati City; SEC-PSE Corporate Governance Forum held on October 21, 2014.

(c) **Continuing education programs for directors: programs and seminars and roundtables attended during the year.**

The Chairman (Lucio L. Co) and President (Leonardo B. Dayao) attended Corporate Governance Seminar held on February 5 to 6, 2015 hosted by the Bankers Institute of the Philippines, Inc. and one of the Directors, (Susan P. Co) attended Corporate Governance and Risk Management held on March 5 to 6, 2015 hosted by Ateneo-BAP Institute of Banking.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Stated below are the company's policies on the business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Transactions causing conflict of interests are not encouraged.	Transactions with members of the senior management causing conflict of interest are prohibited.	Transactions with employees causing conflict of interest are prohibited.
(b) Conduct of Business and Fair Dealings	All dealings with directors are at arms-length basis.	Business and Dealings between the Company and the Senior Management are not encouraged.	Business and Dealings between the Company and employees are not encouraged.
(c) Receipt of gifts from third parties	Prohibited.	Prohibited.	Prohibited.
(d) Compliance with	Full compliance is	Full compliance is	Full compliance is

Laws & Regulations	required.	required.	required.
(e) Respect for Trade Secrets/Use of Non-public information	Required.	Required.	Required.
(f) Use of Company Funds, Assets and Information	Strictly in accordance with the rules of the company.	Strictly in accordance with the rules of the company.	Strictly in accordance with the rules of the company.
(g) Employment & Labor Laws & Policies	Full compliance.	Full compliance.	Full compliance.
(h) Disciplinary action	Strictly observed.	Strictly observed.	Strictly observed.
(i) Whistle Blower	Strictly observed.	Strictly observed.	Strictly observed.
(j) Conflict Resolution	The Company is yet to adopt policy regarding conflict resolution.	The Company is yet to adopt policy regarding conflict resolution.	The Company is yet to adopt policy regarding conflict resolution.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Any person may file any complaint of misconduct against any employee or any violation with the code of ethics or conduct to the Office of the Chairman or the Human Resource Department (HR). The HR will serve notice to the employee concerned and give him chance to explain himself why he should not be given a disciplinary action. Thereafter, the HR in coordination with the Legal Department and Office the Chairman, will resolve whether or not to cite the employee for disciplinary action.

4) Related Party Transactions

(a) Policies and Procedures

The company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board are as follows:

Related Party Transactions	Policies and Procedures
(1) Parent Company	All related party transaction are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors.
(2) Joint Venture	All related party transaction are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors
(3) Subsidiaries	All related party transaction are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors

(4) Entities Under Common Control	All related party transaction are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors
(5) Substantial Stockholders	All related party transaction are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors
(6) Officers including spouse/children/siblings/parents	All related party transaction are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors
(7) Directors including spouse/children/siblings/parents	All related party transaction are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors
(8) Interlocking director relationship of Board of Directors	All related party transaction are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

We shall report in case any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Full disclosure of transaction with the Company is required.
Group	Full disclosure of transaction within the Group is required.

5) Family, Commercial and Contractual Relations

(a) Relationship of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None		

(b) **Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:**

None.

(c) **Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:**

None

6) **Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

The Company has yet to establish an Alternative Dispute Resolution System.

C. BOARD MEETINGS & ATTENDANCE

1) **Are Board of Directors' meetings scheduled before or at the beginning of the year?**

Regular board meetings are scheduled at the beginning of the year.
Special meeting are scheduled atleast 5 days before the intended meeting.

2) **Attendance of Directors for the year 2014**

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Lucio L. Co	June 27, 2014	7 board meetings	7 meetings	100%
Member	Susan P. Co	June 27, 2014	7 board meetings	5 meetings	70%
Member	Leonardo B. Dayao	June 27, 2014	7 board meetings	7 meetings	100%
Member	Eduardo Hernandez	June 27, 2014	7 board meetings	7 meetings	100%
Member	Levi Labra	June 27, 2014	7 board meetings	7 meetings	100%
Independent	Oscar Reyes	June 27, 2014	7 board meetings	6 meetings	85%
Independent	Robert Y. Cokeng	June 27, 2014	7 board meetings	7 meetings	100%

3) **Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**

No.

4) **Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

No, simple majority is required to have a quorum.

5) **Access to Information**

Every stockholder has access to corporate records.

(a) **How many days in advance are board papers for board of directors meetings provided to the board?**

Atleast 5 days in advance.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Yes, The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation. He should be:

1. Be responsible for the safekeeping and preservation of the integrity of the minutes records of the Corporation;

2. Be loyal to the mission, vision and objectives of the Corporation;

3. Work fairly and objectively with the Board, Management and stockholders;

4. Have appropriate administrative and interpersonal skills;

5. If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;

6. Have a working knowledge of the operations of the Corporation;

7. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

8. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;

9. Ensure that all Board procedures, rules and regulations are strictly followed by the members;

10. And if he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.

Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The Company Secretary, Atty. Jose S. Santos, is lawyer and is duly knowledgeable of basic accounting and company secretarial practices.

(d) Committee Procedures

Directors can avail or get information necessary to be able to prepare them in advance for the meetings of different committees:

Committee	Details of the procedure
Executive	Directors are given board meeting materials atleast 5 days before the meeting
Audit	Directors are given board meeting materials atleast 5 days before the meeting
Nomination	Directors are given board meeting materials atleast 5

	days before the meeting
Remuneration	Directors are given board meeting materials atleast 5 days before the meeting
Others (specify)	

6) External Advice

Directors can receive external advice in order to equip themselves with appropriate information or advise on a specific matters that ask for their approval.

7) Change/s in existing policies

No material changes in the policy that have the effect on the business of the company.

D. REMUNERATION MATTERS

1) Remuneration Process

The salaries of the President and the four (4) most highly compensated management officers are as follows:

Process	President	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	1,767,487.50 – President	Andres S, Santos, Dante Chua, Teodoro Polinga and Wyomia Guevarra
(2) Variable remuneration	None	
(3) Per diem allowance	30,000.00 per board meeting	
(4) Bonus	None	
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	None	

The salaries of the President and senior management officers are fixed.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

The salaries of the directors are fixed.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

We have not yet adopted any mechanism where stockholders approve the decision on total remuneration of the board of directors but the Company is open to stockholders' recommendation, if there is any.

3) Aggregate Remuneration

The table below present the aggregate remuneration accrued during the year 2012.

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php4,000,000.00	None	None

(b) Variable Remuneration	None	None	None
(c) Per Diem Allowance	Php450,000.00	Php300,000.00	Php300,000.00
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None

Other Benefits	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Advances	None	None	None
(b) Credit granted	None	None	None
(c) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify)	None	None	None

4) Stock Rights, Options and Warrants

(a) Board of Directors

The Company has not yet implemented its Stock Option Plan. The same has already been approved, however, by the Board of Directors but it will still undergo regulatory approvals.

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None	None	None

5) Remuneration of Management

Identification of the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name and Position	2014 Total Remuneration
Teodoro Polinga, CFO	Php1,061,585.06
Wyomia Guevarra, HR Manager	Php763,563.43
Dante Chua, Operations Head – Real Estate	Php468,000.00
Andres S. Santos, Legal Counsel	Php455,000.00
Gerardo Teofilo, Accounting Manager	Php321,752.63

E. BOARD COMMITTEES

1) **Number of Members, Functions and Responsibilities**

Details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Audit Committee

Number of Executive Director	1 member
Number of Non Executive Director	1 member
Number of Independent Director	1 member
Committee Charter	The Board already approved the Audit Committee Charter of Cosco Capital, Inc.
Functions	>Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. >Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. >Perform oversight functions over the Corporation's internal and external auditors; >Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation; >Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; >Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security; >Review and reports submitted by the internal and external auditors; >Review and quarterly, half-year and annual financial statements before their submission to the Board; >Coordinate, monitor and facilitate compliance with laws, rules and regulations; >Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. >Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his

	duties and responsibilities. He shall functionally report directly to the Audit Committee. >The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
Key Responsibilities	To assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations and perform oversight functions over the Corporation's internal and external auditors.

Nomination Committee

Number of Executive Director	2 members
Number of Non Executive Director	None
Number of Independent Director	One
Committee Charter	None
Functions	Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors
Key Responsibilities	To receive nomination of directors, qualify or disqualify nominated directors before bringing to the Board

Remuneration or Compensation Committee

Number of Executive Director	2 members
Number of Non Executive Director	None
Number of Independent Director	1 member
Committee Charter	None
Functions	To establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.
Key Responsibilities	To assess the compensation package of the officers

(a) Audit Committee

Disclose the profile or qualifications of the Audit Committee members.

All Audit Committee members have accounting and finance backgrounds.

Describe the Audit Committee's responsibility relative to the external auditor.

Based on the Audit Committee Charter of the Company, the Audit Committtee performs oversight function over the work of the external auditor. Specifically, the Audit Committee, under its Charter, is obliged to:

1. Recommend the appointment of the Independent Auditors and their remuneration to the Board.

2. Review and pre-approval of Independent Auditor's plan to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.

3. Monitoring of the coordination of efforts between the external and internal auditors.

4. Review of the reports of the Independent Auditors and the regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.

5. On an annual basis, review the audit and non-audit fees and services provided by the independent accountant. Approve the Company's proxy disclosure with the respect to such fees and approve for the coming year fees to be paid to the independent accountant including non-audit services.

6. Conduct private review sessions with the Independent Auditors at least annually and as otherwise deemed appropriate by the Committee.

7. Assess the effectiveness of the conduct and performance of independent audit. Review the annual audit report which subsequently produced.

(b) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

No other committee is constituted by the Board of Directors.

2) Changes in Committee Members.

There is no changes in Committee Members.

3) Work Done and Issues Addressed

Work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Audit	Approval of Audited Financial Statements	No major issue
Nomination	None	None
Remuneration	None	None
Others (specify)	None	None

4) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

The Company is still coming up with committee plans to undertake and address relevant issues in the improvement or enforcement of effective governance for the coming year.

F. RISK MANAGEMENT SYSTEM

The Company's risk management policies and systems are in place. Risks inherent to the business and those specific risks identified to operations are currently being managed through its various functional departments, by setting-up appropriate controls and by devising mitigating strategies and procedures. The management committee seeks approval from the executive committee and board of directors for major decisions and actions.

6) Control System Set Up

Risk Management Committee is yet to be established to formally develop the Enterprise Risk Management (ERM). The Company ensures that the ERM will be in accordance with internationally accepted frameworks.

(a) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

No existing Committee of Corporate Governance but the Company is considering to establish one body to be in charged of laying down and supervising various control mechanisms, and give details of its functions:

G. INTERNAL AUDIT AND CONTROL

As earlier mentioned, Cosco is currently undergoing major restructuring both in terms of operations, business lines and financial system. From an oil exploration company it has now converted itself into a holding company of the Lucio Co Group of Companies with businesses focused on retail, liquor, commercial real estate and oil and minerals. In line with this, we shall be soon coming up with a comprehensive Internal Audit and Control systems and procedures.

We shall immediately update the Commission once we have already come up with Internal Audit and Control systems and procedures that is most germane to the current business of CosCo.

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;
(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
(c) Period covered by the review;
(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
(e) Where no review was conducted during the year, an explanation why not.

2) Internal audit

(a) Role, Scope and Internal Audit Function

(b) Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct access to the board of directors and the audit committee?

Yes, the Internal Auditor is directly reporting to the Audit Committee.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

No resignation or re-assignment of internal audit staff.

(e) Progress against Plans, Issues, Findings and Examination Trends

(f) Audit Control Policies and Procedures

(g) Mechanism and Safeguards

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Chairman hereby attests that the Company, under his chairmanship, always strives to be in full compliance with the SEC Code of Corporate Governance, and that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

H. <u>ROLE OF STAKEHOLDERS</u>

Cosco will draft policies on customer's welfare, supplier/contractor, environmentally friendly value chain, community reaction, anti-corruption programmes and procedures and safeguarding creditor's gifts that are consistent and applicable to its current set-up as a holding company.

1) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

None yet but the Cosco will establish this section and adopt initiatives reflecting its sense of social responsibility.

2) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health and welfare?

In full compliance with the existing labor laws and social legislations.

(b) Show data relating to health, safety and welfare of its employees.

The Company will adopt policies relating to health, safety and welfare of its employees. Policies that are relevant to its current line of business.

(c) State the company's training and development programmes for its employees. Show the data.

The Company will adopt training and development programmes for its employees. Policies that are relevant to its current line of business.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

The Company will establish company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

3) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

Any person may file any complaint of misconduct against any employee or any violation of illegal and unethical behavior to the Office of the Chairman or the Human Resource Department (HR). The HR will serve notice to the employee concerned and give him chance to explain himself why he should not be given a disciplinary action. Thereafter, the HR in coordination with the Legal Department and Office the Chairman, will resolve whether or not to cite the employee for disciplinary action.

The Management respects the wish of the complainant if he prefers that his identity be kept confidential. In this case, the management will conduct its own investigation and gather evidence on its own.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Lucio L. Co	2,282,116,129	31.30%	None
Susan P. Co	1,777,124,852	24.04%	None

(b) Member of Senior Management

Name of Director	Number of Direct Shares	Number of Indirect Shares/Through (name of record owner)	% of Capital Stock
Lucio L. Co	2,282,116,129	16,409,063 under Strategic Equities 8,536,500 under King's Power 10,337,900 under Ansaldo	31.30%

		Godinez 103,500 under SB Equities	
Susan P. Co	1,777,124,852	3,057,378 under Strategic Equities	24.04%
Leonardo B. Dayao	163,778	393,602 under Kings Power	0.01%

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorship of listed companies) of directors/commissioners	Yes
Training and/or continuing education program attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

3) External Auditor's fee

Name of Auditor	2013	2014
Manabat & Sanagustin, KPMG	Php2,195,000	Php3,220,500

*All audit-related fees.

4) Medium of Communication

The following are the modes of communication that the company is using for disseminating information.

For Corporate events for stockholders - the Company website and PSE website.
The Company is also using television, print, and radio as form of communicating its projects, promos, and events.

5) Date of release of audited financial report

On or before April 15 of every year

6) Company Website

Does the company have a website disclosing up-to-date information about the following:

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of	Yes

association)	

Disclosure of RPT

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company's related party transactions, its nature and value are itemized in the financial statements.

When RPTs are involved, the Company ensures that transactions are objective and are on an arm's length basis in a manner similar to transactions with non-related parties. A RPTs are reviewed as to its business purpose, its terms and its benefits, and it requires approval process to safeguard the interest of the Company and shareholders.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-Laws.

Quorum Required	Majority except those specified under the Corporate Code that requires 2/3 approval

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	During board meetings where directors personally attend and approve corporate acts
Description	Personal meetings

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders rights are those laid down in the Corporation Code.

(d) Stockholders' Participation

1. **State , if any, the measures adopted to promote stockholder participation in the Annual/Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Before every annual meeting of the Company's stockholders, the Company issues an information statement to the stockholders where the all the matters for approval to the stockholders are fully discussed.

In case, they cannot attend in person, stockholders are given proxy forms where they can manifest their approval or disapproval to any matter on the agenda.

During the stockholders meeting, any stockholder can directly raise question to the Chairman or any member of the Board. The Chairman is open as well to discussions so requested by any investor or stockholder.

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially assets, which in effect results in the sale of the company

   The Company is in full compliance with the provisions of the Corporation Code specially on the rights of the stockholders to appraisal rights, and any amendment of the Company's articles of incorporation where stockholders representing at least 2/3 of the capital stock must vote in the affirmative.

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AM where items to be resolved by shareholders are taken up?** Yes.
   a. Date of sending out notices – August 8, 2012
   b. Date of the Annual/Special Stockholders' Meeting – August 31, 2012

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

   No significant question raised during Annual/Special Stockholders' Meeting

5. **Result of Annual/Special Stockholders' Meeting Resolutions**

Resolution	Approving	Dissenting	Abstaining
Ratification of Corporate Acts made by the Board of Directors and minutes of the previous meetings	6,455,557,868	0	183,096,500
Approval of the Presidents Report and Audited Financial Statements	6,455,557,868	0	183,096,500
Election of Directors	6,455,557,868	0	0
Appointment of External Auditor	6,455,557,868	0	183,096,500

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

   Result is not published in newpapers but posted in Company's website.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

None

(f) Stockholders' Attendance

(i) Attendance in the Annual/Stockholders' Meeting held:

Type of Meeting	Names of Board members/Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)
Annual	All directors are present.	June 27, 2014	By ballot, however, the same was waived considering that substantial votes were already made and casted in favor of the matters approved by the major

			stockholders and by proxy.

(ii) **Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

We appoint RCBC stock transfer agent to count and/or validate the votes at the ASM.

(iii) **Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Stockholders are fully informed
Notary	Not required, but for corporations, the authority of the representative must be stated in a board resolution under oath by the Corporate Secretary
Submission of Proxy	Liberal implementation
Several Proxies	Allowed
Validity of Proxy	Done through the stock transfer agent
Proxies executed abroad	Allowed
Invalidated Proxy	Not counted
Validation of Proxy	Done through the stock transfer agent
Violation of Proxy	Not counted

(h) Sending of Notices

State the company's policies and procedures on the sending of notices of Annual/Special Stockholders' Meeting.

In accordance with the Company's by laws or atleast 2 weeks prior to the meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	All stockholders as of record date
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	23 days before the Stockholders Meeting
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	23 days before the Stockholders Meeting
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or reappointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Please see below provisions in the Revised Manual on Corporate Governance:

"The Board shall respect the rights of the stockholders as provided for in the Corporation Code; namely;

Right to vote on all matters that require their consent or approval;
Right to inspect corporate books and records;
Right to information;
Right to dividends; and
Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be make available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

(b) **Do minority stockholders have a right to nominate candidates for board of directors?** Yes.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company adheres to the principle of transparency. It makes sure that the external and internal communication processes reflect such guiding principle.

Company announcements are handled by the offices of the Corporate Secretary and Investor Relations Officer.

2) **Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

The Company will adopt a more comprehensive program for investors relations.

It is the strategy of the office to constantly update the website of the Company and reflect thereon all projects and disclosures made to the Philippine Stock Exchange.

3) **What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

As long as in line with the Company's business plan, and made after compliance with all regulatory approvals required by the Securities and Exchange Commission and Philippine Stock Exchange.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

In the recent acquisition of Lucio Co Group of Companies, CosCo engaged the services of Isla Lipana and Company to evaluate the fairness of the share for share swap transaction between the Company and Lucio Co Group.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Company has not yet established a formal policy or started with any initiatives on corporate social responsibility. The Company will soon adopt one that is relevant to its current business being a holding company of retail focused businesses.

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director and the CEO/President.

Assessment is yet to be done. We will inform the Commission of such assessment once made.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

No such violation has yet been found but the policy is to immediately act and resolve on such violation. The end goal being to fully comply with corporate governance manual.

SIGNATURES

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Manila on April 13, 2015.

LUCIO L. CO
Chairman

LEONARDO B. DAYAO
President

ROBERT Y. COKENG
Independent Director

JOSE S. SANTOS, JR.
Corporate Secretary/Compliance Officer

SUBSCRIBED AND SWORN to before me this APR 15 2015 day of April 2015, affiant(s) exhibiting to me their identification card as follows:

Name	Identification
Lucio L. Co	TIN No. 108-975-971
Leonardo B. Dayao	TIN No. 135-546-815
Robert Cokeng	TIN No. 100-868-503
Jose S. Santos, Jr.	TIN No. 136-370-998

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ATTY. HENRY D. ADASA
Notary Public, City of Manila
Comm. No. 2014-162 until Dec. 31, 2015
S.C. Roll No. 29679
RC Bldg. Taft P. Gil st., Malate MLA
IBP No. 930450 01/05/15 Z.N.
PTR No. 3824852/ 01/05/15 MLA
MCLE Compliance No. 111-002348