cosco capital
incorporated

April 16, 2018

Securities and Exchange Commission
PICC Grounds, Pasay City

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

Philippine Stock Exchange
6/F PSE Tower, BGC, Taguig City

Attention: **Mr. Jose Valeriano B. Zuño III**
Head, Disclosure Department

Re: COSCO ANNUAL REPORT (SEC 17-A)

Gentlemen:

Please see attached Annual Report (SEC 17-A) and the Audited Consolidated Financial Statements of Cosco Capital, Inc. as of December 31, 2017.

Thank you.

Yours truly,

Candy H. Dacanay-Datuon
Assistant Corporate Secretary

Head Office: 2/F Tabacalera Building, 900 Romualdez St., Paco, Manila, 1007, Philippines • Phone: (632) 257-08-51/ (632) 523-3055

COVER SHEET

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SEC Registration Number

COSCO CAPITAL, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO, MANILA

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

CANDY H. DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

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

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.

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, 2017

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.

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

6. Industry Classification Code: (SEC Use Only)

7. Address of principal office: No. 900 Romualdez St., Paco, Manila, 1007

8. Registrant's telephone number, including area code: 02-524-9326

9. Former name, former address and former fiscal year, if changed since last report: None

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	4,826,552,598.16

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 A").

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 and Analysis

Annex "B" - Consolidated Audited Financial Statements

Annex "C" - Supplementary Schedules

Annex "D" - Summary of SEC 17-C Reports

PART I BUSINESS AND GENERAL INFORMATION

Item 1: Business

(1) Business Development

Cosco Capital, Inc. (the "Company" / "Cosco") 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.

As the above share swap transaction was 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 holding company, became a conglomerate and was now required to consolidate the results of operations of the 12 acquiree companies effective only on June 1, 2013.

On July 5, 2013, the Philippine SEC approved the registration of Alcorn Petroleum and Minerals Corporation (APMC), 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. 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 which was subsequently granted on July 2, 2015.

(2) Business of Issuer

Cosco, as an investment holding company, has a current diversified portfolio of business interests in the following industries and business segments.

The discussion below enumerates the principal products, services, and competition of each business segment.

Grocery Retail

PUREGOLD PRICE CLUB, INC. ("Puregold" or "the Company") was incorporated on September 8, 1998 and opened its first Puregold hypermarket store in Mandaluyong City in December of the same year. In 2001, it began its expansion by building 2 additional hypermarket stores in Manila and Paranaque. It also launched its loyalty program, which was eventually renamed as "Tindahan ni Aling Puring" in 2004. Between 2002 to 2006, Puregold continued its expansion at an average of 3 new stores every year and established operations in North and South Luzon.

In 2008, Puregold was recognized by Reader's Digest Asia's as the Most Trusted Brand in supermarket category. To expedite market coverage, a new format called "Puregold Jr. Supermarket" was introduced in the 4th quarter of 2008. By mid-2009, the Company gained market leadership being the second largest hypermarket and supermarket retailer in the Philippines in terms of net sales. By 2010, it was already operating 62 stores, and launched another format called, "Puregold Extra". In the same year and henceforth, Puregold was recognized by Retail Asia Pacific as one of the top 500 retailers among the 14 economies of the region.

2011 saw the highest number of store openings in Puregold history with the launch of 38 new stores making its number of stores to a total of 100. In the succeeding year, Puregold acquired a related retail company, now Kareila Management Corporation, with 6 S&R Membership Shopping Warehouses (patterned after the Costco and Sam's Club in the USA), opened 31 new Puregold organic stores and acquired Gant Group of Companies known as "Parco Supermarkets" with 19 stores.

In 2013, Puregold acquired another supermarket chain, Company E Corporation, with 15 stores and opened 40 new organic stores. S&R opened 2 warehouses located in Davao Province and Mandaluyong City. Company E and Gant Group of Companies were later merged with Puregold[1].

In 2014, Puregold opened 28 new organic stores, 1 S&R warehouse and 4 S&R New York Style Pizza/quick service restaurants (QSR). It also partnered with Lawson, Inc. and Lawson Asia Pacific Pte Ltd. through a joint venture company called PG Lawson, Inc. which paved the way for its entry into the convenience store space. PG Lawson plans to build and operate a chain of Lawson convenient stores all over the Philippines. The parties' investment share is 70% Puregold and 30% Lawson.

In 2015, Puregold opened 15 hypermarkets, 11 supermarkets, 1 S&R Warehouse and 10 QSRs. During the year, it also acquired a chain of 9 NE Bodega Supermarkets located in Central & North Luzon and 8 Budgetlane Supermarkets located in Eastern GMA, Laguna and Batangas.

In 2016, Puregold opened another 15 hypermarkets, 8 supermarkets, 2 extras, 1 minimart, 2 S&R Warehouses and 7 QSRs.

In 2017, Puregold opened a total of 35 new organic stores comprising of 25 hypermarkets, 5 minimarts and 5 supermarkets.; 2 S&R warehouses and 9 QSR outlets

[1] Approved by the Securities and Exchange Commission on March 17, 2015.

Puregold also acquired a chain of 5 B & W supermarket stores in Roxas City, Panay Island which paved the way for the company's expansion in the Visayas region.

In November 2017, the SEC approved the merger of Goldtempo Company, Inc., First Lane Super Traders Co., Inc. and Daily Commodities, Inc. with Puregold which paves the way for the full conversion and operational integration of the 9 NE Bodega Supermarkets and 8 Budgetlane Supermarkets into Puregold Supermarkets brand starting in early 2018.

By the end of 2017, Puregold was operating a total of 171 hypermarkets, 103 supermarkets, 29 extra, 6 minimarts, 14 S&R warehouse clubs, 32 S&R-QSRs, for a total of 355 stores located in the following areas:

	Puregold	S&R	QSR	Total
Metro Manila	114	6	22	142
North Luzon	77	2	4	83
South Luzon	90	2	4	96
Visayas	20	2	1	23
Mindanao	8	2	1	11
Total	309	14	9	355

Real Estate and Property Leasing

ELLIMAC PRIME HOLDINGS, INC. ("Ellimac") is the flagship of the real estate companies of Cosco Capital, Inc. The company came about resulting from the merger of four (4) other property companies in December 2012 namely Pilgor Development Services Corporation, 514 Shaw Property Holdings Inc., Cosco Prime Holdings Inc. and Pajusco Realty Corporation.

It currently owns forty seven (47) properties located in the more prominent area of Metro Manila as well as nearby Central and Northern Luzon provinces of Bulacan, Nueva Ecija, Quezon and Cagayan. Among these, twenty five (25) properties are operating as commercial retail buildings, eight (8) are on land long-term lease arrangements and fourteen (14) are in various stages 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 which 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.

Following the merger of Ellimac with 118 Holdings in January 2016, two (2) parcels of land were transferred under the name of Ellimac. One is located at Subangdaku, Mandaue, Cebu with a total of 32,427 square meters and another one in Imus, Cavite with a total of 12,464 square meters. Both properties are currently leased to Kareila Management Corporation.

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 ("Fertuna") is considered to be the stronghold of Cosco Capital in Central Luzon. Fertuna together with Ayala Land Inc. co-developed a commercial retail complex called Harbor Point. This 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 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. ("Patagonia") as Cosco's rising force in the Bonifacio Global City acquired 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 provided 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. ("Nation") the phenomenal success of the retail arm of Cosco Capital 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 is a seven storey building with a gross floor area of 84,292 square meters. The completion of Building #2 was completed by Nation Realty Inc. in 2012.

At the rate where *999* shopping mall is heading, Nation 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.

NE PACIFIC SHOPPING CENTERS CORPORATION ("NE") which owns and operates the NE Pacific Mall, was acquired by Cosco Capital 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 and appliance 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 Capital 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) constructed a Fuel Terminal facility inside the Subic Bay Freeport Zone in 2009 which became operational in 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' mooring 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.

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, 568 Mall, 118 Mall, City Place, and Tutuban Mall which are situated in Divisoria.

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, Inc. is the exclusive Philippine importer and distributor of Spanish brands Alfonso Brandy and Vino Fontana from Bodegas Williams & Humbert and Muga wines from Bodegas Muga. The list also includes leading international brands from Diageo, Brown Foreman, Patron Spirits, Castel Wines and Pegoes Wines.

MERITUS PRIME DISTRIBUTIONS, INC. is one of the country's liquor and wine distribution companies. Initially founded in March 2010 as the exclusive Philippine distributor of Beam Global Spirits & Wine (presently, Beam Suntory, Inc.), it has now grown into an influential market leader in both domestic and duty free segments.

Along with premier partners such as Beam Suntory (Jim Beam, Maker's Mark) and William Grant & Sons (Glenfiddich, Balvenie and Hendrick's), Meritus is continously gaining a strong foothold in the spirits industry. Proof of their strength came in the last quarter of 2016 when they partnered with Spain's well-renowned winery, Bodegas Williams & Humbert, to come up with a premium Spanish brandy, Alhambra Solera Brandy.

Adding to its roster are some of the world's more notable wine companies, such as Barton & Guestier of France, DGB of South Africa, Santa Julia of Argentina, and global number one listed wine company, Treasury Wine Estates.

PREMIER WINE AND SPIRITS, INC. 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.

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

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

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

Oil & Mining

ALCORN PETROLEUM AND MINERALS CORPORATION 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 which was subsequently granted on July 2, 2015.

The oil and mining interests include a portfolio of participating interests in petroleum exploration and extraction activities in Palawan area and Eastern Visayas region.

The Company, under its oil and mining business segment, sells 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 are 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

LIQUIGAZ PHILIPPINES CORPORATION was established in 1995 and was a wholly owned subsidiary of SHV Netherlands. In July 2014, Cosco Capital, Inc. acquired 100% ownership interest in Liquigaz through a wholly-owned subsidiary, Canaria Holdings Corp. The company ranks as the second biggest LPG supplier in the Philippines. It currently holds a market share of 24%.

Liquigaz has two import terminals located in Mariveles, Bataan and Sariaya, Quezon having storage capacities of 12,500 MT each. Thus, Liquigaz' total LPG storage capacity of 25,000 MT is the biggest in the Philippines.

Their terminals are reinforced by two (2) major distribution hubs located in Bulacan, which covers the North Luzon/Metro Manila market, and in Canlubang, Laguna which covers the Southern Luzon/Metro Manila market.

There are five business segments in Liquigaz, namely:

1. Wholesale Business - caters to independent refillers as well as supply to major Oil Companies.
2. Autogas Business - caters to independent Autogas retailers and Taxi operators.
3. Cylinder Business - caters to the household market thru Dealers and own-retail stores.
4. Industrial Business - serves manufacturing industries i.e. Steel, Food, Ceramics, Glass, Automotive.
5. Commercial Business - serves the LPG requirements of food establishments, hotels, malls, hospitals and commissaries.

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

OFFICE WAREHOUSE is a one-stop shop store for quality and cost-efficient office solutions. It provides its customers with reputable brands of Office Supplies, Office Furniture, and a wide array of Technology products. "Cost-cutting starts here!" as it offers quality products at the lowest possible price.

Office Warehouse exclusively distributes topnotch product lines including world's best shredder brand, Fellowes, top German pen brand Schneider, desk accessories brand Eagle, and writing instruments brand Atlas.

Office Warehouse offers convenience to its customers with door-to-door delivery and store pick-up services, as well as being a click away for an online shopping experience. A Loyalty Program, Points Plus+, is in place to give its loyal customers exclusive member perks, privileges, and rewards.

As at the end of December 2017, Office Warehouse has 82 outlets – 65 in the National Capital Region and 17 in nearby provinces.

Its understanding of both the customers' regular and seasonal demands is reflected in the unique and winning assortment of its office supply product offering. Thus, Office Warehouse becomes an office solutions store.

Office Warehouse' Supply Chain seeks of efficiency and timeliness - demand planning, purchase management and inventory replenishment system rack up the most cost-efficient way to handle its operations. It operates its own Distribution Center and In-House Managed Fleet, who work hand in hand with the Supply Chain Group to ensure seamless and cost-optimal flow of stocks from its supply centers to its distribution points and store outlets.

Office Warehouse has also upgraded its IT infrastructure and has been continually adopting new state of the art IT solutions to better service its ever-growing internal and external customer database. It has materially invested in its network structure redundancy, virtual environment security, and other technology-based blueprints to ensure that it is IT-adept in this day and age.

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.

Since its incorporation, the Company has never been subjected to nor has been involved in any bankruptcy, receivership or similar proceedings.

Suppliers

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

Dependence upon Single or Few Suppliers or Customers

All business segments under Cosco Group are not dependent on any single supplier neither reliant on a single or few customers but to the broader buying public in general. All of them are serving Filipinos nationwide, and sourcing its product from a wide range of suppliers, both domestic and international.

Transactions with Related Parties

The Grocery Retail business segment leases some of its store outlet buildings from its related parties in the real estate business segment. 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 periods ranging from ten to thirty-five (10 -35) years, renewable for the same period under the same terms and conditions with a rental rate escalation ranging from 1% to 7%. Rental payments are fixed amounts based on the contracts.

The Liquor segment supplies imported wines and spirits to the grocery 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 2017)

Trademarks

Puregold Price Club, Inc. 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. It pays Mr. Co royalty fees of 1/20 of 1% of its 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

Government Approvals

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

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.

Cost and Effect of Compliance with Environmental Laws

The Company estimates its annual cost for maintaining and renewing ECC and other environmental permits at around P7million.

Employees

As at December 31, 2017, the Company has approximately 7,012 employees divided per business segments as follows:

Retail	6,497
Liquor Distribution	179
Real Estate	171
Specialty Retail	316
Parent and Mining	20

Major risks

Sourcing

Suppliers play an active role particularly in the retail industry. Supply disruptions or unreliable suppliers who fail to deliver the needs of the Company could potentially delay or fail the operations of the Company.

To mitigate this risk, the Company intends to continue transacting only with 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

The Company has a Compliance Committee which monitors and oversees issuances 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 for some age groups, and curfew either or both from the national or local government. We consider this risk, however, as remote.

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 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 Real 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 oil 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 the Philippine modern 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, Metro Gaisano 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 liquor distribution business caters to the imported and premium segment of liquor and wines market, we see no significant risk. It has its own market niche and does not directly compete with the local brands.

b) Supply risk

A supply shortage and/or disruption and the price volatility 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 deals with a wide range of suppliers to ascertain that its merchandising requirements are filled through the year.

c) Credit risk

The Company's fast-paced operation requires sufficient liquidity throughout the year. Failure of the Company to collect their trade receivables on time could potentially affect its ability to pay their suppliers on time or increase financing cost should working capital financing be resorted to bridge temporary liquidity gaps.

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

d) Pricing pressure

The 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 operating results. Low-growth consumer market means a low-demand growth and low turnover for the Company. The entry of new competitors may trigger a more aggressive price competition among industry players as they try to dominate the market.

The Company's continuous expansion and revenue growth help mitigate this risk and allow the Company to develop better competitive 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 Group, under its grocery retail segment, owns the following properties:

Fourteen (14) owned parcels of land with a total of 33,327.57 square meters located at the following areas:

North Luzon	2
South Luzon	8
Metro Manila	2
Visayas	2
Mindanao	0
Total	14

Sixty three (63) owned buildings with a total of 273,527.34 square meters located at the following areas:

North Luzon	17
South Luzon	21
Metro Manila	23
Visayas	1
Mindanao	1
Total	63

Sixty Two (62) leased parcels of land with a total of 277,841.29 square meters located at the following areas:

North Luzon	18
South Luzon	20
Metro Manila	22
Visayas	1
Mindanao	1

Total	62

Two Hundred Fifty Three (253) leased buildings with a total of 557,147.85 square meters located at the following areas:

North Luzon	62
South Luzon	65
Metro Manila	92
Visayas	22
Mindanao	12
Total	253

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

Land and building with a total of 255,767 square meters located at the following areas:

North Luzon	11
South Luzon	6
Metro Manila	12
Visayas	0
Mindanao	0
	29

Building with a total of 12,131 square meters located at the following areas:

North Luzon	1
South Luzon	0
Metro Manila	0
Visayas	0
Mindanao	0
	1

Land with a total of 265,830 square meters located at the following areas:

North Luzon	7
South Luzon	6
Metro Manila	8
Visayas	2
Mindanao	0
	23

Participating Interests in Oil and Mining Exploration Assets in Philippines

Cosco Capital, Inc. does not directly own any real property assets. However, the company, through its wholly-owned subsidiary, Alcorn Petroleum & Minerals Corporation, has participating interests in the following petroleum and mineral exploration properties in Philippines:

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

   Service contract No. 14 is located in 350 meters of water, approximately located offshore 60 kilometers NW 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 area (Block D). The Company has participating interest in all except in the Nido Block A.

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

   The West linapacan oil field is located in Block C2 under SC No. 14 and covers a total area of approximately 80 square kilometers. The block has produced more 8.3 million barrels of oil prior to shut down because of water intrusion.

   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%). The block is now the subject of renewed interest by the partners and prompted the partners to allocate funds for its evaluation. Philodrill completed the geological and geophysical (G&G) evaluation of the retained license area. The results are encouraging with promising plays and prospects that will be subject of further and more detailed study. Final recommendation of the study is for the consortium to continue retaining the block. APMC has 5.835% participating interest in the block.

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. Philodrill recently completed the resources assessment of Octon and they came up with substantial figures. As an added highlight of the assessment is the addition of another prospect in the block, named; Barselisa.

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.

   Philodrill continued to implement the approved work program and budget for the block. The work program includes satellite gravity study and its integration into the seismic interpretation, detailed mapping of Top Nido horizon in the northern part of the block with focus on the Elephant Prospect and three other structural closures presently identified and seismic processing of existing lines over the block.

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.

   Block operator, Otto Energy, finally withdraw from the block, DOE may penalize Otto if the remaining consortium members do not accept the remaining the drilling commitment. The proposed work program that the Filipino partners are proposing will bridge the time gap prior to drilling a well. The consortium hopes that the structure which was ignored by Otto can be matured using the much cheaper gravity survey.

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

During the Annual Stockholders' Meeting in 2017, the following matters were submitted to a vote of security holders:

1. Call to order
2. Certification of service of notice and existence of quorum
3. Approval of the Minutes of the previous Annual Stockholders' Meeting and ratification of all acts and resolutions of the Board of Directors and Management
4. Annual Report of the Chairman and President and Approval of the Audited Financial Statements as of December 31, 2016
5. Election of Directors
6. Appointment of External Auditor
7. Other Matters
8. 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 2016 and 2017:

2017	High	Low	2016	High	Low
January	9.23	8.53	January	8.26	7.04
February	9.28	8.91	February	7.47	7.19
March	8.90	8.48	March	7.76	7.20
April	8.57	8.33	April	8.63	7.36
May	8.35	8.14	May	7.68	7.58
June	8.20	7.89	June	8.03	7.68
July	8.27	7.75	July	8.19	7.68
August	8.07	7.40	August	9.30	8.08
September	8.62	8.00	September	8.55	8.15
October	8.52	8.20	October	8.52	8.10
November	8.50	7.45	November	8.84	8.20
December	7.73	7.40	December	8.83	8.28

Source: Daily Quotation Reports of the Philippine Stock Exchange

The market capitalization of the Company's common shares as of end-2017, based on the closing price of P7.70 per share, was approximately P56 Billion.

Holders. There are approximately 992 registered holders of common shares as of December 31, 2017 owning atleast one board lot per 100 share (based on number of accounts registered with the Stock Transfer Agent).

The top 20 stockholders of the Company as at December 31, 2017 are as follows:

Name of Stockholders	No. of Shares	%
Lucio L. Co	2,321,568,892	32%
Susan P. Co	1,780,182,230	24%
The Hongkong and Shanghai Banking Corp.	715,925,258	10%
Ellimac Prime Holdings, Inc.	244,228,990	3%
Citibank N.A	237,452,087	3%
VFC Land Resources Inc.	220,066,929	3%
Ferdinand Vincent P. Co	209,557,122	3%
Pamela Justine P. Co	209,535,971	3%
Deutsche Bank Manila-Clients A/C	184,084,922	3%
Standard Chartered Bank	178,860,863	2%
Ansaldo, Godinez & Co., Inc.	165,326,025	2%
KMC Realty Corporation	150,832,231	2%
Camille Clarisse P. Co	83,295,231	1%
SPC Resources, Inc.	58,500,000	1%
SB Equities, Inc.	53,533,358	1%
King's Power Securities, Inc.	51,860,725	1%
Strategic Equities Corp.	47,512,790	1%
COL Financial Group, Inc.	37,347,195	1%
Katrina Marie P. Co	35,223,884	0%
BDO Securities Corporation	34,810,546	0%

Dividends

On December 15, 2017, the Parent Company's BOD approved the declaration of a regular dividend of P0.06 per share and special dividend of P0.04 per share on record date of January 2, 2018 and payment date of January 26, 2018. Total dividends declared amounted to P736,141,264.40.

On December 22, 2016, the Parent Company's BOD approved the declaration of a regular dividend of P0.06 per share and special dividend of P0.02 per share on record date of January 12, 2017 and payment date of January 20, 2017. Total dividends declared amounted to P590,032,717.12

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

On December 18, 2014, Board of Directors of Cosco Capital, Inc. declared and approved the payment of cash dividends amounting to P0.08 per share payable to all qualified shareholders as of the record date of January 12, 2015 payable on February 5, 2015.

On June 27, 2014, the Board of Directors of Cosco Capital, Inc. declared and approved the payment of cash dividends amounting to P0.06 per share payable to all qualified shareholders as of the record date of July 11, 2014 payable on July 28, 2014.

Securities sold

There were no recent sales of unregistered or exempt securities, including issuance of securities constituting an exempt transaction.

Item 6 Management Discussion and Analysis or Plan of Operation

The information requested is attached herewith as Annex "A".

Item 7 Financial Statements

The Consolidated Audited Financial Statements for 2017 is hereto attached as Annex "B".

Item 8 Changes and Disagreements with Accountants on Accounting and Financial Disclosure

The External Auditor of the Company for the year 2016 and 2017 is R.G. Manabat & Co. (KPMG). The partner-in-charge is Mr. Darwin Virocel. There has been no disagreements on accounting and financial disclosure since the Company engaged the firm in 2014 with Mr. Darwin Virocel as handling partner.

The Company complies with SRC Rule 68, (3), (b), (iv) where it states that changes should be made in assignment of external auditor or assigned partner at least every five (5) years.

Audit and Audit Related Fees

The Company paid R.G. Manabat & Co. (KPMG) the amount P600,000.00 for audit services rendered in 2016 and the same amount of P600,000.00 in 2017. The Company did not engage R.G. Manabat & Company for any non-audit services.

ITEM 9 CONTROL AND COMPENSATION INFORMATION

Below are the profile of the incumbent directors and executive officers of the Company as of December 31, 2017, indicating their respective business experience for the past five (5) years.

MR. LUCIO L. CO, 63 years old, Filipino, Chairman of the Board

Mr. Co has been a Director of the Company since 1997.

Mr. Co currently holds the following positions in other publicly-listed companies: Chairman of Puregold Price Club, Inc. and Da Vinci Capital Holdings, Inc., and Director of Philippine Bank of Communications.

Mr. Co is also the Chairman of the following privately-owned companies: Alcorn Petroleum & Minerals Corporation, Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Entenso Equities Incorporated, Invescap Incorporated, Liquigaz Philippines Corp., NE Pacific Shopping Centers Corporation, P.G. Holdings, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., Pure Petroleum Corp. San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc.,

He is also a Director of the following privately-owned companies: Alphaland Makati Tower, Inc., Catuiran Hydropower Corporation, Karayan Hydropower Corporation, Kareila Management Corp., LCCK & Sons Realty Corporation, League One Finance and Leasing Corporation, Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., PG Lawson Company, Inc., PPCI Subic, Inc., Patagonia Holdings Corp., Premier Wine & Spirits, Inc., S&R Pizza (Harbor Point), Inc., and S&R Pizza, Inc.

He is a member of the Board of Trustees of Adamson University and Luis Co Chi Kiat Foundation, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

MRS. SUSAN P. CO, 60 years old, Filipino, Vice-Chairman

Mrs. Co has been a Director of the Company since August 2013.

Mrs. Co currently holds the following positions in other publicly-listed companies: Vice-Chairman and Treasurer Puregold Price Club, Inc. and Director of Philippine Bank of Communications.

She is currently the Chairman of Alphaland Makati Tower, Inc. and Director of the following private companies: Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Kareila Management Corp., KMC Realty Corp., Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Montosco, Inc., Nation Realty, Inc., NE Pacific Shopping Center Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PG Lawson Company, Inc., PPCI Subic Inc., Premier Wines and Spirits, Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., Pure Petroleum Corp., Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., San Jose City I Power Corp., Union Energy Corporation and Union Equities, Inc.

Mrs. Co received a Bachelor of Science Degree in Commerce from the University of Santo Tomas.

MR. LEONARDO B. DAYAO, 74 years old, Filipino, President

Mr. Dayao has been a Director and Vice-Chairman of the Company since October 1997 and elected as President on June 2010 up to the present.

Mr. Dayao currently holds the following positions in publicly listed companies: Director of Puregold Price Club, Inc. and Vice-Chairman of the Philippine Bank of Communications.

He also holds the following positions in private companies: Chairman of Catuiran Hydropower Corporation, Fertuna Holdings Corp., Kareila Management Corporation, League One Finance and Leasing Corporation, PSMT Philippines, Inc., PG Lawson Company, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc.; President of Alcorn Petroleum Minerals Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Union Energy Corporation; Vice-President of Alece Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Properties, Inc., Union Equities, Inc., VFC Land Resources, Inc.; and Director of Canaria Holdings Corporation Entenso Equities Incorporated, Karayan Hydropower Corporation, Liquigaz Philippines Corp., and Puregold Realty Leasing & Management, Inc.

He received a Bachelor of Science Degree in Commerce from the Far Eastern University. He is a Certified Public Accountant and has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

ATTY. EDUARDO F. HERNANDEZ, 87 years old, Filipino, Director

Atty. Eduardo F. Hernandez is one of the incorporators of the Company. He served as President of Alcorn Gold Resources, from 1988 to 2009, which became Cosco Capital, Inc. where he was been duly elected to hold office as Director.

He is a Senior Counsel of Romulo, Mabanta, Buenaventura Sayoc & De Los Angeles Law Office. Atty. Hernandez obtained his Law Degree in the University of the Philippines in 1953. He served as Supreme Court Bar Examiner in Civil Law in 1968 and in Commercial Law in 1982. He was likewise a former President of the Philippine Bar Association and also served as Regent of the University of the Philippines. He was also the Chairman of the

Philippine Petroleum Association of the Upstream Industry (Oil & Gas), Inc. He is also the author of various law books such as: (a) Landowners' Rights published in 2002 and (b) Philippine Admiralty and Marine Law, published in 2006.

LEVI B. LABRA, 60 years old, Filipino, Director

Mr. Labra has served as Director of the Company since in June 2013.

He is a graduate of the University of San Carlos, major in Business Administration (cum laude). Worked for Procter and Gamble Philippines for 35 years in Sales, Forecasting, Supply Chain, Trade Marketing and Organization Development. He was the Sales Head and a member of the management committee for 20 years. He was the Regional Sales manager for three years building the sales organization and systems for India, Indonesia, Malaysia, Singapore, South Korea and Thailand. Currently, a director of Cosco Capital Inc. he is also engaged in strategy and operations development with various companies in the field of retail, consumer goods, micro-insurance, telecom and Agri product distributorships.

OSCAR S. REYES, 71 years old, Filipino, Independent Director

Mr. Reyes has served as Independent Director of the Company since July 2009.

Mr. Reyes is a member of the Advisory Board of the Philippine Long Distance Telephone Company (PLDT), Advisory Council of Bank of the Philippine Islands and of the Board of Directors of Manila Electric Company where he also holds the position of President and Chief Executive Officer, Manila Water Co., PLDT Communications and Energy Ventures Inc., Basic Energy Corporation, Sun Life Financial Phils., Inc., Sun Life Prosperity Funds, Grepa Life Funds, Clark Electric Distribution Corp., Republic Surety & Insurance Co., Inc., and PXP Energy Corp., among other firms. He is the Chairman of Pepsi Cola Products Philippines, Inc., Meralco Industrial Engineering Services Corporation (MIESCOR), CIS Bayad Center Inc., Meralco Energy, Inc. (MEI), Atimonan One Energy Inc., Redondo Peninsula Energy, Inc., Pacific Light Pte. Ltd., MSpectrum, Inc. and MRail Inc., and Vice Chair of Meralco PowerGen Corporation.

He is a member of the Board of Trustees of Pilipinas Shell Foundation Inc., One Meralco Foundation, SGV Foundation and El Nido Foundation. He served as Country Chairman of Shell Companies in the Philippines, President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V.

Mr. Reyes completed his Bachelor of Arts Major in Economics, cum laude, from the Ateneo de Manila University in 1965 and Master of Business Administration (academic units completed) from the Ateneo Graduate School of Business Administration in 1971; Program for Management Development from the Harvard Business School, Boston, in 1976; and Commercial Management Study Program at the Lensbury Centre, Shell International Petroleum Co., United Kingdom. He also took up Business Management Consultants and Trainers Program at the Japan Productivity Center/Asian Productivity Organization, Tokyo, in 1968; and International Management Development Program leading to (1) Diploma in Business Administration and (2) Certificate in Export Promotion at the Waterloo University, Ontario, Canada in 1969.

ROBERT Y. COKENG, 66 years old, Filipino, Independent Director

Mr. Cokeng has served as Independent Director of the Company since June 2013.

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.; Director–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.

ATTY. JOSE S. SANTOS, JR., 77 years old, 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. He has been a practicing lawyer since 1962.

ATTY.CANDY H. DACANAY-DATUON, 39 years old, Filipino, Assistant Corporate Secretary and Compliance Officer

Atty. Dacanay-Datuon has been the Compliance Officer and Assistant Corporate Secretary of the Company since November 25, 2011. Ms. Dacanay-Datuon is a lawyer and a member of the Philippine Bar since 2004. On the same year, she was employed as counsel for the Company. She is currently the Corporate Secretary of Kareila Management Corporation (S&R) and League One Finance and Leasing Corporation.

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.

MR. TEODORO A. POLINGA, 59 years old, Filipino, Comptroller

Mr. Polinga has been the Company's Group Comptroller since July 2014 up to the present. Concurrently, he has also been the Controller of the Company's publicly listed subsidiary, Puregold Price Club, Inc. since March 2015 up to the present.

Prior to joining Cosco, he was engaged as one of the founding directors and President of MTM Ship Management Philippines from October 2013 up to June 2014. He was a founding member, Executive Director & CFO of Singapore registered companies Alchem Energy Limited and Summit Minerals, Pte. Ltd from 2010 to 2012. He was Chief Finance Officer and Director of Phoenix Petroleum Philippines from 2007 to 2008; Deputy CFO for PT Citramegah Karya Gemilang – Libya branch from 2008 to 2010; Senior Vice President for Finance of Citadel Commercial Group, 2001 to 2003; Senior Vice-President for Business Development of Citadel Commercial Group, 2003 to 2005; Executive Vice President of Citadel Commercial Group, 2005 to 2007; Vice-President, CFO and Director of Unicol Management Services, 1989 to 2001. Mr. Polinga is a Certified Public Accountant and started his career in public accounting practice with SGV & Co. He is also an alumnus of the Asian Institute of Management where he took up a Management Development Program in May 1990.

Item 10 Executive Compensation

The table below sets the total annual compensation of the CEO, four most highly compensated executive officers and all other officers as a group unnamed for the year 2016, 2017 and projected compensation for 2018:

Name and position	Year	Salary	Bonus/Other compensation
Lucio L. Co			
Susan P. Co			
Leonardo B. Dayao			
Wyomia P. Guevarra			
Andres S. Santos			
CEO and most highly compensated executive officers	2016 2017 2018	4,273,906.00 6,412,772.70 6,412,772.70	-
All other officers as group unnamed	2016 2017 2018	1,851,223.00 1,810,987.32 1,810,987.32	-

Item 11 Security Ownership of Certain Record and Beneficial Owners and Management

The Company has the following information about persons or group of persons known to be record or beneficial owners of more than 5% of the capital stock of the Company as of December 31, 2017:

Title of Class	Name, Address of record owner	Relationship with the Company	Name Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percent
Common	Lucio L. Co, No. 2 Pili Avenue, South Forbes Park, Makati City	Chairman of the Board	Direct and Indirect	Filipino	2,321,568,892	31%
Common	Susan P. Co, No. 2, Pili Avenue, South Forbes Park, Makati City	Vice-Chairman and Treasurer	Direct and Indirect	Filipino	1,780,182,230	24%
Common	The Hongkong and Shanghai Banking Corporation, 12/F The Enterprise Center, Tower One, 6766 Ayala Avenue, Makati City	Stockholder			715,925,258	10%

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.
There have been no arrangements that have resulted in a change in control of the Company during the period covered by this report.

Change in Control

For the last 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 Grocery Retail business segment leases some of its store outlet buildings from its related parties in the real estate business segment. 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 periods ranging from ten to thirty-five (10 -35) years, renewable for the same period under the same terms and conditions with a rental rate escalation ranging from 1% to 7%. Rental payments are fixed amounts based on the contracts.

The Liquor segment supplies imported wines and spirits to the grocery 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 2016)

Item 13 Updates on Corporate Governance

The company adopted the new Manual on Corporate Governance for publicly listed companies as mandated by the SEC in its Memorandum Circular No. 19 dated November 22, 2016.

And as part of the continuing education of the directors and officers of the Company, a Corporate Governance seminar was conducted on February 23, 2018 at the Acacia Hotel, Alabang, Muntinlupa City from 1:00 pm to 5:00 pm. The seminar was conducted by the Sycip Gorres Velayo & Co., an accredited corporate governance provider of the SEC.

On February 9, 2018, the Board approved the Company's Data Privacy Manual and appointed Ms. Maricel Mariano as Data Protection Officer in accordance with Data Privacy Act (RA 10173).

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Annex "A" – Management Discussion and Analysis and Plan of Operation
Annex "B" – Consolidated Audited Financial Statements
Annex "C" – Supplementary Schedules
Annex "D" – Summary of SEC 17- C Reports

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this ANNUAL REPORT (SEC 17-A) to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Manila on April 16, 2018.

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

CANDY H. DACANAY-DATUON
Assistant Corporate Secretary
TIN No. 233-200-394

SUBSCRIBED AND SWORN to before me this 16th day of April 2018 in the City of Manila, affiants presented competent proof of their identities.

Doc. No. 39
Page No. 9
Book No. IX
Series of 2018.

CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
COMMISSION NO. 2018-035
UNTIL DECEMBER 31, 2019
PTR NO. 6962347 MANILA 12-06-17
IBP NO. 1062654/12-07-17
MCLE COMPLIANCE NO. V-0014291/02-16-2016
ROLL NO. 55392/05-02-08
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007

Item 6. Management's Discussion and Analysis of Operations

The following discussion and analysis of the Group's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group's business should be read in conjunction with the auditors' reports and the Group's 2017 audited consolidated financial statements and notes attached herewith as Annex "B".

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	**2017**	**2016**	**2015**
Return on investment	**10.43%**	10.88%	11.16%
Profit margin	**5.37%**	5.78%	5.98%
EBITDA to interest expense	**34.14x**	36.28x	27.37x
Current ratio	**1.97:1**	2.14:1	2.07:1
Asset turnover	**1.36:1**	1.29:1	1.25:1
Asset to equity	**1.42:1**	1.44:1	1.49:1
Debt to equity ratio	**0.42:1**	0.44:1	0.49:1

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

Comparative Years 2017 and 2016

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

(In Thousands)	2017	%	2,016	%	*INCREASE (DECREASE)*	%
REVENUES	**P145,749,829**	*100.00%*	P129,186,201	*100.00%*	***P16,563,628***	*12.82%*
COST OF SALES/SERVICES	**121,428,225**	*83.31%*	107,273,972	*83.04%*	***14,154,253***	*13.19%*
GROSS PROFIT	**24,321,604**	***16.69%***	21,912,229	*16.96%*	***2,409,375***	*11.00%*
OTHER OPERATING INCOME	**3,580,941**	***2.46%***	3,361,826	*2.60%*	***219,114***	*6.52%*
GROSS OPERATING INCOME	**27,902,545**	***19.14%***	25,274,056	*19.56%*	***2,628,489***	***10.40%***
OPERATING EXPENSES	**16,426,309**	*11.27%*	14,467,476	*11.20%*	***1,958,833***	***13.54%***
INCOME FROM OPERATIONS	**11,476,236**	*7.87%*	10,806,579	*8.37%*	***669,656***	***6.20%***
OTHER INCOME (CHARGES) - net	**(351,850)**	***-0.24%***	(249,135)	*-0.19%*	***(102,716)***	***41.23%***
INCOME BEFORE INCOME TAX	**11,124,386**	*7.63%*	10,557,445	*8.17%*	***566,941***	*5.37%*
INCOME TAX EXPENSE	**3,291,071**	***2.26%***	3,088,051	*2.39%*	***203,021***	***6.57%***
NET INCOME FOR THE YEAR	**P7,833,314**	*5.37%*	P7,469,394	*5.78%*	***P363,920***	***4.87%***
Net Income Attributable to:						
Equity holders of the Parent Company	P4,924,646	*3.38%*	P4,734,101	*3.66%*	***P190,545***	*4.02%*
Non-controlling interests	2,908,668	***2.00%***	2,735,293	*2.12%*	***173,375***	***6.34%***
	P7,833,314	*5.37%*	P7,469,394	*5.78%*	***P363,920***	***4.87%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P145.75 Billion for the year ended December 31, 2017 which reflects an increase by P16.56 Billion or representing a growth of 12.82% compared to last year's revenue of P129.18 Billion.

The growth in consolidated revenues in 2017 was largely driven by a combination of the Group's sustained organic growth from its grocery retail segment; exceptional revenue growth from the LPG business unit driven by the gradual recovery of global petroleum and gas prices and on the back of a very strong growth in sales volume; revenue contributions from the real estate segment with its consistent high capacity utilization of its rental assets portfolio; and sustained growth in revenue contributions from the liquor and wine distribution business segment;

Growth in Net Income

During the same period, the Group realized a consolidated net income of P7.83 Billion which is higher by P363.92 Million representing a 4.87% increase as compared to last year's consolidated net income of P7.47 Billion. Net income attributable to equity holders of the parent company (PATMI) amounted to P4.92 Billion in 2017 which increased by about P190 Million or 4.02% as compared to the 2016 PATMI amounting to P4.73 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2017, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P124.49 Billion or an increase of P11.90 Billion or 10.6% growth as compared to the segment's revenue contribution of P112.59 Billion in 2016 brought about by its continued aggressive stores expansion program both organic and strategic acquisitions.

Consolidated net income contribution in 2017 amounted to P5.84 Billion which increased by P314 Million or 5.68% as compared to the net income contribution of P5.52 Billion in 2016.

Real Estate Segment

The commercial real estate business segment contributed P1.61 Billion to the Group's consolidated revenue in 2017 representing a decrease of about P178.66 Million or 9.96% as compared to last year amounting to P1.79 Billion principally brought about by the complete temporary closure of one of its recently acquired mall assets to give way for a major renovation and refurbishments and the net downward revenue effect resulting from effective shortening of lease contract term involving an outgoing and a new locator on its petroleum storage tanks facility in Subic Bay in accordance with the requirements of current lease accounting standards.

Net income contribution in 2017 amounted to about P997.23 Billion which correspondingly decreased by about P55.96 Million or 5.31% as compared to the net income contribution of P1.053 Million in 2016.

Liquor Distribution Segment

Similarly, the liquor distribution business segment contributed about P4.69 Billion to the Group's consolidated revenue during the same period in 2017 representing an increase by about P350.17 Million or 8.06% higher as compared to the 2016 revenue contribution of P4.34 Billion on the back of its growth in volume of cases sold during the year mainly attributable to its aggressive sales and marketing campaign.

Net income contribution in 2017 amounted to about P696.12 Million which decreased by P52.62 Million or 7.03% as compared to the net income contribution in 2016 amounting to P748.74 Million on account of incremental marketing and promotion costs and expenses.

Specialty Retail

Liquigaz Philippines Corporation contributed about P13.3 Billion to the Group's consolidated revenue during the same period in 2017 representing an increase by about P4.20 Billion or 47.07% higher as compared to the 2016 revenue contribution of P8.92 Billion mainly attributable to the effects of the improvements and recovery of global petroleum and gas prices in 2017 and on the back of an exceptional growth in volume sold. Net income contribution in 2017 amounted to P469.20 Million or a substantial increase by P196.01 Million or 71.75% as compared to the net income contribution in 2016 amounting to P273.18 Million.

On the other hand, Office Warehouse, Inc. contributed about P1.82 Billion to the Group's consolidated revenue during the year 2017 representing an increase by about P289.17 Million or 18.88% higher as compared to the 2016 revenue contribution of P1.53 Million mainly attributable to its strong same store sales growth of 5.88% and its continuing stores network expansion program, enhanced product offerings and aggressive sales and marketing campaign. Net income contribution in 2017 amounted to about P58.99 Million which increased by P1.54 Million or 3.0% as compared to the net income contribution in 2016 amounting to P57.45 Million.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the year ended December 31, 2017, the Grocery Retail segment posted a consolidated net sales of P124,491 million for an increase of P11,902 million or a growth of 10.6% compared to P112,589 million in the same period of 2016. New stores put up in 2016 were fully operating in 2017 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores/outlets put up as well as acquisitions made during the same period. Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	4.4%	6.5%
Net Ticket	3.9%	5.3%
Traffic	0.5%	1.2%

Gross Profit

For the year ended December 31, 2017, the Grocery Retail segment realized an increase of 11.4% in consolidated gross profit from P18,538 million in 2016 to P20,655 million in 2017 of the same period, driven by strong sales growth from new and old stores and consistent and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. Consolidated gross profit margin remain stable at 16.6% and 16.5% for the years ended December 31, 2017 and 2016, respectively.

Other Operating Income

Other operating income increased by P247 million or 7.6% from P3,266 million in the year ended December 31, 2016 to P3,513 million in 2017 of the same period. This is attributable to increase in display allowance, rent income, membership income and other supplier supports 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

Operating expenses increased by P1,808 million or 13.2% from P13,707 million in the year ended December 31, 2016 to P15,516 million in 2017 of the same period. The increase was mainly attributable to the Grocery Retail segment's operating costs and expenses in establishing new organic stores and warehouses clubs including the operation of the QSR food service outlets such as manpower costs, as well as rent expenses relative to new lease contracts, supplies expense and business permits and taxes, all related to full year operation of acquired stores and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P268 million and P101 million for the years ended December 31, 2017 and 2016, respectively. The increase was due to interest expenses from additional bank loans availed during the period and recognition of share in net loss of joint venture operations.

Net Income

For the year ended December 31, 2017, the Grocery Retail segment earned a consolidated net income of P5,840 million at 4.7% net margin and an increase of 5.7% from P5,526 million at 4.9% net margin in 2016 of the same period. This was principally driven by the continuous expansion of the Grocery Retail segment both organic as well as strategic acquisitions and investments and combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores complemented by sustained operating efficiencies and strategic costs controls on operating expenses at its current level.

Commercial Real Estate

The Group's Real Estate Segment posted P2.19 Billion in revenues for the year ended December 31, 2017 but registered a slight decrease of about 5.52% from P2.32 Billion revenues in 2016. The net decrease is mainly attributable to the temporary complete closure of one of its recently acquired mall assets which is undergoing reconstruction and refurbishments and the net downward revenue effect resulting from effective shortening of lease contract term involving an outgoing and a new locator on its petroleum storage tanks facility in Subic Bay in accordance with the requirements of current lease accounting standards.

Income from operations before depreciation decreased by P69.26 Million from P1.39 Billion of the year ended December 31, 2016.

Net income for the period amounted to P971.73 Million or 4.99% lower compared to last year's P1.023 Billion.

In December 2017, the group opened its latest community mall asset called Arvo Mall located in Marikina, Rizal which is its third joint development project with Ayala Land with Puregold as its anchor tenant. Also during the year, the group continued its ongoing development and construction pipeline of four (4) other community mall development assets located in Cavite, Muntinlupa, Subic and Las Pinas involving an additional GLA of 5,368 square meters which could be operational within the first half of 2018.

The group also acquired four (4) additional land assets located in Subic, Zambales; Antipolo, Rizal; Laoag, Ilocos Norte, and Maria Aurora, Aurora involving a total land area of 9,834 sq.m., thereby expanding its landbank portfolio to a total of nine (9) assets with a gross land area of 146,148.70 sq.m. It was also awarded as a winning bidder for a property located in Bayawan, Negros Oriental with an area of 12,052 sq. m. also for future development.

Liquor Distribution

Revenue from the Liquor Distribution Segment increased to P6.66 Billion in 2017 or 12.86% growth from last year's P5.90 Billion on the back of a sustained 19% growth in volume of cases sold during the year. Sales mix was still principally driven by its brandy portfolio which accounts for more than 60% of sales augmented by the increase in sales of the spirits sector. Wines and specialty beverages also experienced dramatic growths in the current period and contributed to the segment's overall sales growth.

Income from operations decreased to P823.82 Million in 2017 or 11.36% lower from last year's P929.40 Million due to incremental marketing and promotion expenses incurred to promote sales given its competitive environment.

Net income for the 2017 increased by P46.87 Million or 8.06% from P581.36 million in 2016 to P628.23 Million in 2017.

Specialty Retail

Office Warehouse

Office Warehouse operates a chain of specialty retail outlets engaged in selling school and office supplies, technology products, home/office furniture and equipment and related products. Since its acquisition in May 2014, the company embarked and successfully implemented a strategic organic expansion program through the establishment of additional new organic store outlets within its target market principally in Metro Manila coupled with a diversification of its product offerings. This expansion program has been funded from internally generated funds from its operating profits and cash flows.

As at December 31, 2017, the company had expanded its retail network to 82 stores from 47 stores at acquisition date. Net selling area also increased to 15,945 sq.m. or a growth by 13.78% in 2017 as compared to 2016.

Sales revenues increased to P1.82 Billion in 2017 or 18.92% higher as compared to the 2016 revenue contribution of P1.53 Million mainly attributable to its continuing stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 5.88% in 2017.

Net income contribution in 2017 amounted to about 58.99 Million which increased by P1.54 Million or 3.0% as compared to the net income contribution in 2016 amounting to P57.45 Million

Liquigaz

The company substantially completed its storage capacity facility expansion project in Sariyaya, Quezon (Southern Luzon) which involved the rehabilitation of an existing 5,100 MT capacity storage tanks for Phase 1 and development and the construction of a jetty and additional 12,000 MT storage tanks for Phase 2 development. When completed and fully operational, this facility will not only strategically serve the Souther Luzon market but also serve as a platform for its geographic expansion into the Visayas and Mindanao markets.

Revenues generated in 2017 amounted to P13.13 Billion or 47.07% higher as compared to the 2016 revenues of P8.93 Billion mainly attributable to the combined effects of the improvement in volume sold and of continued recovery of global petroleum and gas prices in 2017. Net income in 2017 amounted to P469.20 Million which increased by P196.01 Million or 71.75% as compared to that of 2016 amounting to P273.18 Million.

Consolidated Statements of Financial Position

Shown below are the comparative consolidated financial position of the Group:

(In Thousands)	2017	%	2016	%	INCREASE (DECREASE)	%
ASSETS						
Current Assets						
Cash and cash equivalents	15,353,098	13.75%	12,634,464	12.31%	2,718,634	21.52%
Receivables - net	7,902,970	7.08%	6,805,704	6.63%	1,096,982	16.12%
Available-for-sale financial assets	8,618	0.01%	8,199	0.01%	419	5.11%
						-
Short-term investments		0.00%	909,928	0.89%	(909,928)	100.00%
Investment in trading securities	46,888	0.04%	35,109	0.03%	11,779	33.55%
Inventories	21,194,691	18.98%	19,792,366	19.29%	1,402,324	7.09%
Due from related parties	74,354	0.07%	185,136	0.18%	(110,782)	-59.84%
Prepayments and other current assets	3,014,609	2.70%	1,626,699	1.59%	1,387,910	85.32%
	47,595,227	42.63%	41,997,606	40.93%	5,597,621	13.33%
Noncurrent Assets						
Property and equipment - net	26,622,703	23.85%	24,090,074	23.48%	2,532,629	10.51%
Investment properties - net	10,753,607	9.63%	10,010,807	9.76%	742,800	7.42%
Intangible assets	22,776,064	20.40%	22,598,516	22.03%	177,548	0.79%
Investments	933,797	0.84%	926,669	0.90%	7,128	0.77%
Deferred oil and mineral exploration costs	122,948	0.11%	121,382	0.12%	1,566	1.29%
Deferred tax assets-net	64,438	0.08%	116,587	0.11%	(52,150)	-44.73%
Other non-current assets	2,746,788	2.46%	2,736,900	2.67%	9,887	0.36%
	64,020,345	57.37%	60,600,937	59.07%	3,419,408	5.64%
TOTAL ASSETS	111,643,572	100.00%	102,598,543	100.00%	9,017,029	8.79%
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	P13,790,325	12.35%	P11,775,810	11.48%	P2,014,516	17.11%
Income tax payable	1,032,749	0.93%	1,102,118	1.07%	(69,369)	-6.29%
Short-term loans payable	5,562,500	4.98%	5,362,500	5.23%	200,000	3.73%
Current portion of long-term borrowing	2,443,402	2.19%	164,434	0.16%	2,278,969	-
Due to relate parties	849,772	0.76%	690,335	0.67%	159,437	100.00%
Trust receipts payable	4,091	0.00%		0.00%	4,091	100.00%
Other current liabilities	505,407	0.45%	542,543	0.53%	(37,136)	-6.84%
	24,188,247	21.67%	19,637,739	19.14%	4,550,508	23.17%
Noncurrent Liabilities						
Retirement benefit cost	592,387	0.53%	513,453	0.50%	78,934	15.37%
Deferred tax liabilities	774,280	0.69%	751,935	0.73%	22,345	2.97%
Long term loans payable - net of debt issue cost	4,782,209	4.28%	7,223,505	7.04%	(2,441,296)	-33.80%
						-
Deposits for future stock subscription		0.00%	150,313	0.15%	(150,313)	100.00%
Non-current accrued rent	2,421,313	2.17%	2,088,230	2.04%	\333,083	15.95%
Other non-current liabilities	413,046	0.37%	445,130	0.43%	(32,084)	-7.21%
	8,983,235	8.05%	11,172,567	10.89%	2,189,332)	-19.60%
TOTAL LIABILITIES	33,171,482	29.72%	30,810,306	30.03%	2,361,176	7.66%
EQUITY						
Capital stock	7,405,264	6.63%	7,405,264	7.22%		0.00%
Additional paid-in capital	9,634,644	8.63%	9,634,644	9.39%		0.00%
Remeasurement of retirement liability - net of tax	30,640	0.03%	692	0.00%	29,949	-
Reserve for fluctuations in value of AFS financial assets	5,013	0.00%	4,593	0.00%	419	9.12%
Treasury shares	(628,203)	-0.56%	(523,865)	-0.51%	(104,338)	19.92%
Retained earnings	38,147,383	34.18%	33,808,565	32.95%	4,338,818	12.83%
Total Equity Attributable to Equity Holders of Parent Company	54,592,465	48.91%	50,329,893	49.06%	4,262,572	8.47%
Non-controlling interest	23,851,625	21.37%	21,458,344	20.91%	2,393,282	11.15%
TOTAL EQUITY	78,444,090	70.28%	71,788,237	69.97%	6,655,853	9.27%
TOTAL LIABILITIES AND EQUITY	P111,615,572	100.00%	P102,598,543	100.00%	P9,017,029	8.79%

Current Assets

Cash and cash equivalents amounted to P15.35 Billion as at December 31, 2017 with an increase of P2.72 Billion or 21.52% from December 31, 2016 balance. The increase was due basically to the net effect of cash generated from operations and the settlement of trade and non-trade payables principally from the Grocery Retail Segment, payment of 2016 cash dividends, settlement of loans and payments for capital expenditures during the period.

Short-term investments decreased by P909.93 Million from December 31, 2016 balance due mainly to the transfer to cash and cash equivalents made by the Real Estate segment.

Receivables increased by 16.12% from December 31, 2016 balance of P6.81 Billion to this year's balance of P7.90 Billion due mainly to the increase in sales in 2017.

Available-for-sale financial assets increased by 5.11% from December 31, 2016 balance of P8.20 Million to this period's balance of P8.62 Million due mainly to the effect of changes in stock prices.

Investment in trading securities increased by 33.55% from December 31, 2015 balance of P35.11 Million to this period's balance of P46.89 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 7.09% from 2016 balance of P19.79 Billion to this year's balance of P21.19 Billion due to the grocery retail segment's expansion and additional stocking requirement of the new organic stores established during the year as well as the additional stocking requirements of the segment preparatory to the 4th quarter incremental sales volume. Bulk of the inventory account pertains to the merchandise inventory stocks of the grocery retail segment amounting to P17.69 Billion.

Prepayments and other current assets increased by P1.38 Billion at the end of December 2017, due to purchase of supplies for store and office use, input VAT on purchase of inventory and payment of various expenses, availment of new policies for insurance of new stores and advance payment of rent for soon to open stores by the Grocery Retail Segment.

Due from related parties decreased by P110.78 Million at the end of December 2017, due primarily to settlements made by the Real Estate segment.

Non-current Assets

As at December 31, 2017 and 2016, total non-current assets amounted to P64.05 Billion or 57.36% of total assets, and P60.60 Billion or 59.07% of total assets, respectively, for an increase of P3.45 Billion or 5.64%.

Property and equipment-net pertains to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment increased by P2.53 Billion from P24.09 Billion in December 2016 to P26.62 Billion in December 2017 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment and capital expenditures from Specialty Retail segment.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P742.80 Million or 7.42% from P10.01 Billion in December 2016 to P10.75 Billion in December 2017.

Investments increased by P7.13 Million from P926.67 Million in December 2016 to P933.80 Million in December 2017 resulting from the share in results of operations of joint venture and associates by the Grocery Retailing Segment, Specialty Retail Segment and Holding, Oil and Gas segment.

Deferred tax assets decreased by P22.76 Million or 19.53% from P116.59 Million in December 2016 to P93.82 Million in December 2017 resulting mainly from the reversal deferred tax assets.

Other non-current assets increased by P9.89 Million from P2.73 Billion in December 2016 to P2.74 Billion in December 2017. About 61% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits and advance rentals in relation to new leases acquired for new stores development as well as the accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at December 31, 2017 and 2016, total current liabilities amounted to P24.18 Billion and P19.64 Billion respectively, for an increase of P4.55 billion or 23.17%.

About 75% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The increase by P2.01 Billion or 17.11% was primarily due to increase in trade and non-trade liabilities and dividends payable by the Grocery Retail and Parent Company as at December 31, 2017.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The decrease by P69.67 Million from P1.10 Billion as at December 2016 to P1.03 Billion as at December 2017 is mainly due to savings by the Liquor Distribution and Real Estate segments during the year 2017 in relation to the same period in 2016.

Short-term loans payable account decreased by P200 Million mainly due to net effect of additional loans availed during 2017 principally by the Specialty Retail and and Liquor Distribution segments to augment working capital requirements and repayment by the Grocery Retail segment.

Current portion of long term borrowing increased by P2.28 Billion due to reclassification made by the Grocery Retail Segment long term loans payable.

Due to related parties increased by P159.44 Million mainly due to the additional advances made by the Real Estate segment during 2017.

Other current liabilities decreased by 6.84% from P542.54 Million as at December 31, 2016 to P505.41 Million as at December 31, 2017.

Noncurrent Liabilities

As at December 31, 2017 and 2016, total non-current liabilities amounted to P8.98 Billion and P11.17 Billion, respectively, for a decrease of P2.18 Billion or 19.60%.

Retirement benefit cost increased by P78.93 Million or 15.37% mainly due to the additional retirement benefits recognized by Grocery Retail, Real Estate, Liquor Distribution and Specialty Retail segments.

The movement of **Long term loans payable - net of debt issue cost** amounting to P2.44 Billion pertains to the reclassification of long term loans to short term loans by the Grocery Retail segment.

Noncurrent accrued rent increased by P333.08 million or 15.95% from P2.09 Billion in December 2016 to P2.42 Billion in December 2017 due to recognition of rent expense for lease contracts entered into by the Grocery Retail segment in compliance with PAS 17 – Leases.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
	2017	2016
Net cash flows from (used in) operating activities	**P8,727,706**	P6,077,795
Net cash flows from (used in) investing activities	**(4,503,325)**	(5,539,307)
Net cash flows from financing activities	**(1,505,747)**	(2,445,489)
Net increase in cash and cash equivalents	**P2,718,634**	(1,907,001)

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

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

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Grocery Retail, Specialty Retail segments and Parent Company during the year, payment of 2016 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

Management believes that the current levels of internally generated funds from its operating activities 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. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Comparative Years 2016 and 2015

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2016 and 2015.

(In Millions)	2016	%	2015	%	INCREASE (DECREASE)	%
REVENUES	129,186	100.00%	116,752	100.00%	12,434	10.65%
COST OF SALES/SERVICES	107,274	83.04%	96,788	82.90%	10,485	10.83%
GROSS PROFIT	21,912	16.96%	19,964	17.10%	1,949	9.76%
OTHER OPERATING INCOME	3,280	2.54%	2,925	2.51%	355	12.13%
GROSS OPERATING INCOME	25,192	19.50%	22,888	19.60%	2,303	10.06%
OPERATING EXPENSES	14,467	11.20%	12,876	11.03%	1,592	12.36%
INCOME FROM OPERATIONS	10,724	8.30%	10,013	8.58%	712	7.11%
OTHER INCOME (CHARGES) - net	-167	-0.13%	-208	-0.18%	42	-19.93%
INCOME BEFORE INCOME TAX	10,557	8.17%	9,804	8.40%	753	7.68%
INCOME TAX EXPENSE	3,088	2.39%	2,817	2.41%	271	9.62%
NET INCOME FOR THE YEAR	7,469	5.78%	6,987	5.98%	482	6.90%
Net Income Attributable to:						
Equity holders of the Parent Company	4,734	3.66%	4,491	3.85%	243	5.42%
Non-controlling interests	2,735	2.12%	2,497	2.14%	239	9.56%
	7,469	5.78%	6,987	5.98%	482	6.90%
Basic earnings per share	0.663347		0.628180			5.60%

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P129.18 Billion for the year ended December 31, 2016 which reflects an increase by P12.43 Billion or representing a growth of 10.65% compared to last year's revenue of P116.75 Billion.

The growth in consolidated revenues has been largely driven by a combination of the Group's sustained organic growth from its grocery retail segment's aggressive stores expansion program, acquisitions of additional commercial real estate assets by its real estate segment augmented by improved capacity utilization of the oil storage business unit, sustained growth in revenue contributions from the liquor and wine distribution business segment in spite of the reduced revenue contribution from one of its major brandy brands recently acquired by a competitor. Revenue contributions from its LPG business unit, however, experienced a decline by 24.70% in 2016 principally due to the direct effect of the continuing depressed global prices of petroleum products.

Growth in Net Income

During the same period, the Group realized a consolidated net income of P7.47 Billion which is higher by P482 Million representing a 6.90% increase as compared to last year's consolidated net income of P6.99 Billion. Net income attributable to equity holders of the parent company (PATMI) amounted to P4.73 Billion in 2016 which increased by about P243 Million or 5.42% as compared to the 2015 PATMI amounting to P4.49 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During 2016, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P112.59 Billion or an increase of P15.42 Billion or 15.90% growth as compared to the segment's revenue contribution of P97.17 Billion in 2015 brought about by its continued aggressive stores expansion program both organic and strategic acquisitions.

Consolidated net income contribution in 2016 amounted to P5.52 Billion which increased by P524 Million or 10.48% as compared to the net income contribution of P5.00 Billion in 2015.

Real Estate Segment

The commercial real estate business segment contributed P1.79 Billion to the Group's consolidated revenue in 2016 representing a decrease of about P54.75 Million or 2.96% as compared to last year amounting to P1.85 Billion. This was mainly attributable to the segment's reduction in revenue of its NE Pacific Mall unit resulting from its competitive marketing strategies.

Net income contribution in 2016 amounted to about P1.053 Billion which increased by about P25.30 Million or 2.46% as compared to the net income contribution of P1.028 Million in 2015.

Liquor Distribution Segment

Similarly, the liquor distribution business segment contributed about P4.34 Billion to the Group's consolidated revenue during the same period in 2016 representing a decrease by about P229.79 Million or 5.02% lower as compared to the 2015 revenue contribution of P4.57 Billion mainly attributable to revenue reduction from its Fundador brandy category which was recently sold to a local competitor.

Net income contribution in 2015 amounted to about P748.74 Million which increased by P89.11 Million or 13.51% as compared to the net income contribution in 2015 amounting to P659.63 Million.

Specialty Retail

Office Warehouse, Inc. contributed about P1.53 Billion to the Group's consolidated revenue during the year 2016 representing an increase by about P229.44 Million or 17.62% higher as compared to the 2015 revenue contribution of P1.30 Million mainly attributable to its continuing stores network expansion program, enhanced product offerings and aggressive sales and marketing campaign. Consolidated net income contribution in 2016 amounted to about P64.75 Million which increased by P11.22 Million or 20.96% as compared to the net income contribution in 2015 amounting to P53.52 Million.

On the other hand, Liquigaz Philippines Corporation contributed about P8.92 Billion to the Group's consolidated revenue during the same period in 2016 representing a decrease by about P2.92 Billion or 24.70% lower as compared to the 2015 revenue contribution of P11.85 Billion mainly attributable to the effects of the continuing depressed global petroleum and gas prices in 2016.

Due to the decline in revenue, net income contribution in 2016 amounted to P273.18 Million, decrease by P181.53 Million or 39.92% as compared to the net income contribution in 2015 amounting to P454.72 Million.

Segment Operating & Financial Highlights

<u>**Grocery Retail**</u>

Net Sales

For the year ended December 31, 2016, the Grocery Retail segment posted a consolidated net sales of P112,589 million for an increase of P15,418 million or a growth of 15.9% compared to P97,172 million in the same period of 2015. New stores put up in 2015 were fully operating in 2016 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores/outlets put up as well as acquisitions made during the same period. Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	**6.2%**	**4.4%**
Net Ticket	**5.5%**	**2.0%**
Traffic	**0.6%**	**2.4%**

Gross Profit

For the year ended December 31, 2016, the Grocery Retail segment realized an increase of 12.4% in consolidated gross profit from P16,489 million in 2015 to P18,538 million in 2016 of the same period, driven by strong sales growth from new and old stores and consistent and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. Consolidated gross profit margin was posted at 16.5% and 17.0% for the years ended December 31, 2016 and 2015, respectively.

Other Operating Income

Other operating income increased by P380 million or 13.2% from P2,886 million in the year ended December 31, 2015 to P3,266 million in 2016 of the same period. This is attributable to increase in display allowance, rent income, membership income and other supplier supports 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

Operating expenses increased by P1,482 million or 12.1% from P12,225 million in the year ended December 31, 2015 to P13,707 million in 2016 of the same period. The increase was mainly attributable to manpower cost of the Grocery Retail segment's new organic stores, as well as rent expenses relative to new lease contracts, supplies expense and taxes, all related to full year operation of acquired stores and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P101 million and P45 million for the years ended December 31, 2016 and 2015, respectively. The increase was due to interest expenses from additional bank loans availed during the period and recognition of share in net loss of Joint Venture.

Net Income

For the year ended December 31, 2016, the Grocery Retail segment earned a consolidated net income of P5,526 million at 4.9% net margin and an increase of 10.5% from P5,002 million at 5.1% net margin in 2015 of the same period. This was principally driven by the continuous expansion of the Grocery Retail segment both organic as well as strategic acquisitions and investments and combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores complemented by sustained operating efficiencies and strategic costs controls on operating expenses at its current level.

Real Estate

The Group's Real Estate Segment posted P2.325 Billion in revenues for the year ended December 31, 2016 or a slight decrease of about 4% from P2.422 Billion revenues in the previous year. The net decrease is mainly attributable to the reduced revenue from its NE Pacific Mall unit as a result from its competitive marketing strategies. The revenues realized from the six (6) community malls acquired in 2015, expanded the Group's commercial mall portfolio, and the higher capacity utilization of its oil storage tanks facility in SBMA, mainly contributed to the increase of the segment's revenues in 2015.

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

Income from operations before depreciation decreased by P110.17 Million from P1.50 Billion of the year ended December 31, 2016.

Real Estate Segment's net income for the period amounted to P1.023 Billion or basically just a flat growth rate compared to last year's P1.028 Million.

Liquor Distribution

Revenue from the Liquor Distribution Segment increased to P5.90 Billion in 2016 or 4.0% growth from last year's P5.68 Billion on the back of a sustained 18% growth in volume of cases sold during the year. Sales mix was still principally driven by its brandy portfolio which accounts for more than 60% of sales augmented by the increase in sales of the spirits sector. Wines and specialty beverages also experienced dramatic growths in the current period and contributed to the segment's overall sales growth.

Income from operations increased to P929 Million in 2016 or 1.71% higher from last year's P914 Million.

Net income for the 2015 decreased by P78 Million or 11.87% from P660 million in 2015 to P581 Million in 2016.

Specialty Retail

Office Warehouse

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

As at December 31, 2016, the company had expanded its retail network to 71 stores from 47 stores at acquisition date. Net selling area also increased to 14,014 sq.m. or a growth by 26.98% in 2016 as compared to 2015.

Sales revenues increased to P1.53 Billion in 2016 or 17.9% higher as compared to the 2015 revenue contribution of P1.30 Million mainly attributable to its continuing stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 9.0% in 2016.

Net income contribution in 2016 amounted to about P65 Million which increased by P11 Million or 21.0% as compared to the net income contribution in 2015 amounting to P44 Million

Liquigaz

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

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

Revenues generated in 2016 amounted to P8.93 Billion or 24.70% lower as compared to the 2015 revenues of P11.85 Billion mainly attributable to the effect of the continued depressed state of global petroleum and gas prices in 2016. Due to the decline in revenue, net income in 2016 amounted to P273 Million which decreased by P126 Million or 31.61% as compared to that of 2015 amounting to P399 Million.

Consolidated Statements of Financial Position

Shown below are the comparative consolidated financial position of the Group:

(In Millions)	2016	%	2015	%	*INCREASE (DECREASE)*	%
ASSETS						
Current Assets						
Cash and cash equivalents	12,634	12.22%	14,541	14.90%	-1,907	-13.11%
Receivables - net	6,792	6.57%	5,648	5.79%	1,144	20.25%
Available-for-sale financial assets	8	0.01%	9	0.01%		-4.52%
Short-term investments	910	0.88%	562	0.58%	348	61.92%
Investment in trading securities	35	0.03%	34	0.04%	1	1.96%
Inventories	19,792	19.14%	16,741	17.15%	3,052	18.23%
Due from related parties	185	0.18%	156	0.16%	29	18.66%
Prepayments and other current assets	1,641	1.59%	1,808	1.85%	-167	-9.26%
	41,998	40.61%	39,499	40.46%	2,498	6.32%
Noncurrent Assets						
Property and equipment - net	18,663	18.05%	16,137	16.53%	2,526	15.65%
Investment properties - net	15,438	14.93%	14,843	15.21%	595	4.01%
Intangible assets	22,599	21.85%	22,558	23.11%	40	0.18%
Investments	927	0.90%	989	1.01%	-63	-6.32%
Deferred oil and mineral exploration costs	121	0.12%	121	0.12%		0.40%
Deferred tax assets - net	117	0.11%	344	0.35%	-227	-66.08%
Loans to related parties- noncurrent portion		0.00%		0.00%		-100.00%
Other non-current assets	3,559	3.44%	3,125	3.20%	433	13.86%
	61,423	59.39%	58,117	59.54%	3,305	5.69%
TOTAL ASSETS	103,420	100.00%	97,617	100.00%	5,803	5.95%

(In Millions)	2016	%	2015	%	INCREASE (DECREASE)	%
LIABILITIES AND EQUITY						
L I A B I L I T I E S						
Current Liabilities						
Accounts payable and accrued expenses	11,776	11.39%	12,175	12.47%	-399	-3.28%
Income tax payable	1,102	1.07%	1,076	1.10%	27	2.47%
Short-term loans payable	5,363	5.19%	4,316	4.42%	1,046	24.24%
Current portion of long-term borrowing	164	0.16%	570	0.58%	-406	-71.15%
Trust receipts payable		0.00%	5	0.01%	-5	100.00%
Due to related parties	690	0.67%	457	0.47%	233	51.01%
Other current liabilities	543	0.52%	442	0.45%	101	22.78%
	19,638	18.99%	19,041	19.51%	597	3.13%
Noncurrent Liabilities						
Retirement benefit cost	513	0.50%	480	0.49%	34	7.01%
Deferred tax liabilities	752	0.73%	759	0.78%	-7	-0.90%
Long term loans payable - net of debt issue cost	7,224	6.98%	8,693	8.91%	-1,470	-16.91%
Deposits for future stock subscription	150	0.15%	150	0.15%	-	0.00%
Non-current accrued rent	2,910	2.81%	2,493	2.55%	417	16.73%
Other non-current liabilties	445	0.43%	457	0.47%	-11	-2.50%
	11,994	11.60%	13,032	13.35%	-1,038	-7.96%
TOTAL LIABILITIES	31,632	30.59%	32,073	32.86%	-441	-1.37%
EQUITY						
Capital stock	7,405	7.16%	7,405	7.59%	-	0.00%
Additional paid-in capital	9,635	9.32%	9,635	9.87%	-	0.00%
Remeasurement of retirement liability - net of tax	1	0.00%	-29	-0.03%	29	-102.42%
Reserve for fluctuations in value of AFS financial assets	5	0.00%	5	0.01%		-7.79%
Treasury shares	-524	-0.51%	-441	-0.45%	-83	18.92%
Retained earnings	33,809	32.69%	29,869	30.60%	3,940	13.19%
Total Equity Attributable to Equity Holders of Parent Company	50,330	48.67%	46,444	47.58%	3,885	8.37%
Non-controlling interest	21,458	20.75%	19,100	19.57%	2,359	12.35%
TOTAL EQUITY	71,788	69.41%	65,544	67.14%	6,244	9.53%
TOTAL LIABILITIES AND EQUITY	103,420	100.00%	97,617	100.00%	5,803	5.95%

Current Assets

Cash and cash equivalents amounted to P12.63 Billion as at December 31, 2016 with a decrease of P1.91 Billion or 13.11% from December 31, 2015 balance. The decrease was due basically to the net effect of the settlement of trade and non-trade payables principally from the Grocery Retail Segment, payment of 2015 cash dividends, settlement of loans and payments for capital expenditures during the period.

Short-term investments increased by 61.90% from December 31, 2015 balance of P561 Million to this year's balance of P910 Million due mainly to the additional short term placements made by the Real Estate segment.

Receivables increased by 20.49% from December 31, 2015 balance of P5.65 Billion to this year's balance of P6.80 Billion due mainly to the increase in sales in 2016.

Available-for-sale financial assets decreased by 4.52% from December 31, 2015 balance of P9 Million to this period's balance of P8 Million due mainly to the effect of changes in stock prices.

Investment in trading securities increased by 1.96% from December 31, 2015 balance of P34 Million to this period's balance of P35 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 18.23% from 2015 balance of P16.74 Billion to this year's balance of P19.79 Billion due to the grocery retail segment's expansion and additional stocking requirement of the new organic stores during the year as well as the additional stocking requirements of the specialty segment preparatory to the 4th quarter incremental sales volume. Bulk of the inventory account pertains to the merchandise inventory stocks of the grocery retail segment amounting to P16.48 Billion.

Prepayments and other current assets decreased by P181 Million or 10.03% at the end of December 2016, due to application of input VAT, against output VAT, on purchase of inventory and payment of various expenses. This was slightly offset by the increase in prepaid expenses from availment of new policies for insurance of new stores and advance payment of rent for soon to open stores by the Grocery Retail Segment.

Due from related parties increased by P29 Million at the end of December 2016, due primarily to additional advances made by the Real Estate segment.

Non-current Assets

As at December 31, 2016 and 2015, total non-current assets amounted to P61.42 Billion or 59.39% of total assets, and P58.12 Billion or 59.54% of total assets, respectively, for an increase of P3.30 Billion or 5.69%.

Property and equipment-net pertains to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment increased by P2.52 Billion from P16.14 Billion in December 2015 to P18.66 Billion in December 2016 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment and capital expenditures from Specialty Retail and Real Estate segments.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P595 Million or 4.01% from P14.84 Billion in December 2015 to P15.44 Billion in December 2016.

Investments decreased by P63 Million or 6.32% from P989 Million in December 2015 to P927 Million in December 2016 resulting from the share in results of operations of joint venture and associates by the Grocery Retailing Segment, Specialty Retail Segment and Holding, Oil and Gas segment.

Deferred tax assets decreased by P227 Million or 66.08% from P344 Million in December 2015 to P117 Million in December 2016 resulting mainly from the reversal deferred tax assets.

Other non-current assets increased by P433 Million from P3.12 Billion in December 2015 to P3.56 Billion in December 2016. About 42% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits and advance rentals in relation to new leases acquired for new stores development as well as the accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at December 31, 2016 and 2015, total current liabilities amounted to P19.64 Billion and P19.0 Billion respectively, for an increase of P597 Million or 3.13%.

About 74% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The decrease by P399 Million or 3.28% was primarily due to net settlement of trade and non-trade liabilities and payment of dividends by the Grocery Retail, Real Estate, Specialty and Parent Company in 2016.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P27 Million from P1.07 Million as at December 2015 to P1.10 Billion as at December 2016 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2016 in relation to the same period in 2015.

Short-term loans payable account increased by P1.05 Billion mainly due to additional loans availed during 2016 principally by the Grocery Retail, Real Estate and Liquor Distribution segments to augment working capital requirements, offset by the payments made.

Current portion of long term borrowing decreased by P406 Million due to settlement made by the Grocery Retail Segment.

Due to related parties increased by P233 Million mainly due to the additional advances made by the Real Estate segment during 2016.

Other current liabilities Increased by 22.78% from P442 Million as at December 31, 2016 to P543 Million as at December 31, 2016 relatively due to redemption of PERKS points earned by members and recognition of other income from promotions for the period by the Grocery Retail Segment and additional deposits recognized by Real Estate segment.

Noncurrent Liabilities

As at December 31, 2016 and 2015, total non-current liabilities amounted to P11.99 Billion and P13.04 Billion, respectively, for a decrease of P1.03 Billion or 7.96%.

Retirement benefit cost increased by P34 Million or 7.01% mainly due to the additional retirement benefits recognized by Grocery Retail, Real Estate, Liquor Distribution and Specialty Retail segments.

The movement of **Long term loans payable - net of debt issue cost** amounting to P1.47 Billion pertains to the settlement of loan made by Real Estate segment.

Noncurrent accrued rent increased by P417 million or 16.73% from P2.49 Billion in December 2015 to P2.91 Billion in December 2016 due to recognition of rent expense for lease contracts entered into by the Grocery Retail segment in compliance with PAS 17 – Leases.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
	2016	2015
Net cash flows from (used in) operating activities	**P6,077,794,908**	5,493,212,316
Net cash flows from (used in) investing activities	**(5,539,306,996)**	(6,872,357,680)
Net cash flows from financing activities	**(2,445,489,307)**	239,599,896
Net increase in cash and cash equivalents	**(P1,907,001,395)**	(P1,139,545,468)

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail and Liquor Distribution Segment during the year to avail early payment discounts, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

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

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

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

Comparative Years 2015 and 2014

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2015 and 2014.

(In Millions)	**2015**	*%*	2014	*%*	***INCREASE (DECREASE)***	***%***
REVENUES	**116,752**	*100%*	98,787	*100%*	***17,965***	***18%***
COST OF SALES/SERVICES	**96,788**	***83%***	81,499	*83%*	***15,289***	***19%***
GROSS PROFIT	**19,964**	***17%***	17,287	*17%*	***2,676***	***15%***
OTHER OPERATING INCOME	**2,925**	*3%*	2,563	*3%*	***362***	***14%***
GROSS OPERATING INCOME	**22,888**	***20%***	19,850	*20%*	***3,038***	***15%***
OPERATING EXPENSES	**12,876**	***11%***	11,130	*11%*	***1,745***	***16%***
INCOME FROM OPERATIONS	**10,013**	***9%***	8,720	*9%*	***1,293***	***15%***
OTHER INCOME (CHARGES) - net	**-208**	***0%***	-31	*0%*	***-178***	***579%***
INCOME BEFORE INCOME TAX	**9,804**	***8%***	8,689	*9%*	***1,115***	***13%***
INCOME TAX EXPENSE	**2,817**	***2%***	2,454	*2%*	***364***	***15%***
NET INCOME FOR THE YEAR	**6,987**	***6%***	6,236	*6%*	***752***	***12%***
Net Income Attributable to:						
Equity holders of the Parent Company	**4,491**	***4%***	4,027	*4%*	***464***	***12%***
Non-controlling interests	**2,497**	***2%***	2,209	*2%*	***288***	***13%***
	6,987	***6%***	6,236	*6%*	***752***	***12%***

Comparison of Results of Operations between 2015 and 2014

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P116.75 Billion for the year ended December 31, 2015 which reflects an increase by P17.96 Billion or representing a growth of 18% compared to last year's revenue of P98.79 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. During the year 2015, Liquigaz' sustained a reduction in its revenues by 37% from its 2014 level due to the effect of downward spiral of the global prices of petroleum and LPG.

Growth in Net Income

During the same period, the Group realized a consolidated net income of P6.99 Billion which is higher by P752 Million representing a 12% increase as compared to last year's net income of P6.23 Billion. Net income attributable to equity holders of the parent company (PATMI) amounted to P4.491 Billion in 2015 which increased by about P464 Million or 12% as compared to the 2014 PATMI amounting to P4.027 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During 2015, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P97.17 Billion or an increase of P12.47 Billion or 15% growth as compared to the segment's revenue contribution of P84.70 Billion in 2014 brought about by its continued aggressive stores expansion program both organic and strategic acquisitions. Consolidated net income contribution in 2015 amounted to P5.00 Billion which increased by P481 Million or 11% as compared to the net income contribution of P4.52 Billion in 2014.

Real Estate Segment

The commercial real estate business segment contributed P1.85 Billion to the Group's consolidated revenue in 2015 representing a growth of about P452 Million or 32% as compared to last year amounting to P1.39 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 and additional acquisitions made during the year involving six (6) community mall properties with a GLA of 35,649 sq.m. added to its assets portfolio. Net income contribution in 2015 amounted to about P1.028 Billion which increased by about P68.74 Million or 7% as compared to the net income contribution of P959 Million in 2014.

Liquor Distribution Segment

Similarly, the liquor distribution business segment contributed about P4.57 Billion to the Group's consolidated revenue during the same period in 2015 representing an increase by about P857 Billion or 23% higher as compared to the 2014 revenue contribution of P3.72 Billion mainly attributable to its aggressive sales and marketing campaign. Net income contribution in 2015 amounted to about P659 Million which increased by P56 Million or 9% as compared to the net income contribution in 2014 amounting to P603 Million.

Specialty Retail

Office Warehouse, Inc., which was acquired in April 2014, contributed the amount of P1.30 Billion to the Group's consolidated revenue and P54 Million to the Group's consolidated net income during the year 2015.

On the other hand, Liquigaz Philippines Corporation, which was acquired on July 21, 2014, contributed the amount of P11.85 Billion to the Group's consolidated revenues and P455 Million to the Group's consolidated net income during 2015. It's 2015 revenues, however, decreased by 37% from its 2014 level due to the effects of the downward spiral of the global oil and gas prices sustained during the year.

Segment Operating Highlights

Grocery Retail

Net Sales

For the year ended December 31, 2015, the Grocery Retail segment posted a consolidated net sales of P97,172 million for an increase of P12,474 million or a growth of 14.7% compared to P84,697 million in the same period of 2014. New stores put up in 2014 were fully operating in 2015 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores/outlets put up as well as acquisitions made during the same period. Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	2015	2014
Net Sales	**2.9%**	3.5%
Net Ticket	**4.6%**	5.4%
Traffic	**-1.7%**	-1.8%

Gross Profit

For the year ended December 31, 2015, the Grocery Retail segment realized an increase of 11.7% in consolidated gross profit from P14,760 million in 2014 to P16,489 million in 2015 of the same period, driven by strong sales growth from new and old stores and consistent and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. Consolidated gross profit margin was posted at 17.0% and 17.4% while gross income stood at 19.9% and 20.5% for the years ended December 31, 2015 and 2014, respectively.

Other Operating Income

Other operating income increased by P323 million or 12.6% from P2,563 million in the year ended December 31, 2014 to P2,886 million in 2015 of the same period. This is attributable to increase in 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

Operating expenses increased by P1,380 million or 12.7% from P10,845 million in the year ended December 31, 2014 to P12,225 million in 2015 of the same period. The increase was mainly attributable to manpower cost of the Grocery Retail segment's new organic stores, as well as rent expenses relative to new lease contracts, supplies expense and taxes, all related to acquisitions and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P45 million and P20 million for the years ended December 31, 2015 and 2014, respectively. The increase was due to interest expenses from additional loans availed during the period.

Net Income

For the year ended December 31, 2015, the Grocery Retail segment earned a consolidated net income of P5,002 million at 5.1% net margin and an increase of 10.6% from P4,520 million at 5.3% net margin in 2014 of the same period. This was principally driven by the continuous expansion of the Grocery Retail segment both organic as well as strategic acquisitions and investments and combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores (both organic and strategic acquisitions) complemented by operating efficiencies and strategic costs controls on operating expenses at its current level.

Real Estate

The Group's Real Estate Segment posted P2.42 Billion in revenues for the year ended December 31, 2015 or a 10% increase from P2.21 Billion in the previous year. The acquisition of NE Pacific Shopping Centers Corporation, the operation of Fairview Terraces Mall as well as the acquisition of six (6) community malls in 2015, 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 P134 Million from P1.37 Billion of the year ended December 31, 2015.

Real Estate Segment's net income for the period amounted to P1.028 Billion or a 5% increase from last year's P975 Million brought about by growth in revenue.

Liquor Distribution

Revenue from the Liquor Distribution Segment increased to P5.68 Billion in 2015 or 17% growth from last year's P4.84 Billion. The growth in revenue is attributable to the increase in sales of the spirits sector particularly brandy and whisky. 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 P919 Million in 2015 or 10% higher from last year's P838 Million.

Net income for the 2015 increased by P57 Million from P603 million in 2014 to P660 Million in 2015 or a 9% 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 59 specialty retail outlets during the current year engaged in selling school and office supplies, technology items, home/office furniture and equipment and related products

For the year ended December 31, 2015, Office Warehouse contributed the amount of P1.30 Billion to the Group's consolidated revenue and P54 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 distribution 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, 2015, Liquigaz contributed the amount of P11.85 Billion to the Group's consolidated revenues and P455 Million to the Group's consolidated net income. Its 2015 twelve-month year on year net income grew by 18%, as compared to its 2014 operating results.

Consolidated Statements of Financial Position

Shown below are the comparative consolidated financial position of the Group:

(In Millions)	2015	%	2014	%	INCREASE (DECREASE)	%
ASSETS						
Current Assets						
Cash and cash equivalents	**14,541**	*15%*	15,681	*17%*	***-1,140***	-7%
Receivables - net	**5,648**	*6%*	5,322	*6%*	***326***	6%
Available-for-sale financial assets	**9**	*0%*	14	*0%*	**-6**	-40%
Short-term investments	**562**	*1%*	824	*1%*	**-262**	-32%
Investment in trading securities	**34**	*0%*	37	*0%*	**-3**	-8%
Inventories	**16,741**	*17%*	13,922	*16%*	***2,819***	20%
Due from related parties	**156**	*0%*	10	*0%*	***146***	1453%
Prepayments and other current assets	**1,808**	*2%*	1,165	*1%*	***643***	55%
	39,499	*40%*	36,975	*41%*	***2,524***	7%
Noncurrent Assets						
Property and equipment - net	**16,137**	*17%*	15,285	*17%*	***852***	6%
Investment properties - net	**14,843**	*15%*	12,774	*14%*	***2,069***	16%
Intangible assets	**22,558**	*23%*	20,895	*23%*	***1,663***	8%
Investments	**989**	*1%*	912	*1%*	***77***	8%
Deferred oil and mineral exploration costs	**121**	*0%*	119	*0%*	***2***	1%
Deferred tax assets - net	**344**	*0%*	120	*0%*	***223***	186%
Loans to related parties- noncurrent portion		*0%*	8	*0%*	***-8***	-97%
Other non-current assets	**3,125**	*3%*	2,609	*3%*	***516***	20%
	58,117	*60%*	52,723	*59%*	***5,394***	10%
TOTAL ASSETS	**97,617**	*100%*	89,699	*100%*	***7,918***	9%

(In Millions)	2015	%	2014	%	INCREASE (DECREASE)	%
LIABILITIES AND EQUITY						
L I A B I L I T I E S						
Current Liabilities						
Accounts payable and accrued expenses	**12,175**	*12%*	12,715	*14%*	***-540***	*-4%*
Income tax payable	**1,076**	*1%*	830	*1%*	***246***	*30%*
Short-term loans payable	**4,316**	*4%*	2,259	*3%*	***2,057***	*91%*
Current portion of long-term borrowing	**570**	*1%*	1,008	*1%*	***-438***	*-43%*
Trust receipts payable	**5**	*0%*	-	*0%*	***5***	*100%*
Due to related parties	**457**	*0%*	43	*0%*	***415***	-
Other current liabilities	**442**	*0%*	409	*0%*	***33***	*8%*
	19,041	*20%*	17,263	*19%*	***1,778***	*10%*
Noncurrent Liabilities						
Retirement benefit cost	480	*0%*	433	*0%*	***46***	*11%*
Deferred tax liabilities	**759**	*1%*	754	*1%*	***5***	*1%*
Long term loans payable - net of debt issue cost	8,693	*9%*	8,859	*10%*	***-165***	*-2%*
Deposits for future stock subscription	150	*0%*	150	*0%*	-	-
Other non-current liabilities	2,949	*3%*	2,560	*3%*	***389***	*15%*
	13,032	*13%*	12,757	*14%*	***275***	*2%*
TOTAL LIABILITIES	32,073	*33%*	30,020	*33%*	***2,053***	*7%*
EQUITY						
Capital stock	7,405	*8%*	7,405	*8%*	-	-
Additional paid-in capital	9,635	*10%*	9,635	*11%*	-	-
Remeasurement of retirement liability - net of tax	-8	*0%*	-50	*0%*	***41***	*-83%*
Reserve for fluctuations in value of AFS financial assets	5	*0%*	7	*0%*	***-2***	*-28%*
Treasury shares	-441	*0%*	-253	*0%*	***-188***	*74%*
Retained earnings	29,869	*31%*	25,926	*29%*	***3,943***	*15%*
Total Equity Attributable to Equity Holders of Parent Company	46,465	*48%*	42,670	*48%*	***3,794***	*9%*
Non-controlling interest	19,079	*20%*	17,008	*19%*	***2,071***	*12%*
TOTAL EQUITY	65,544	*67%*	59,679	*67%*	***5,865***	*10%*
TOTAL LIABILITIES AND EQUITY	97,617	*100%*	89,699	*100%*	***7,918***	*9%*

Current Assets

Cash and cash equivalents amounted to P14.54 Billion as at December 31, 2015 with a decrease of P1.14 Billion from December 31, 2014 balance or an 7% decrease due basically to the net effect of the Real estate segment's acquisitions of additional six (6) community mall properties during the current period, coupled by significant decrease in cash of the Retail Segment used in settling their trade and non-trade payables, payment of cash dividends, acquisition of seventeen (17) supermarket stores in 2015 and capital expenditures for 2015 new stores development including new QSRs outlets under the S&R portfolio.

Short-term investments decreased by 32% from December 31, 2014 balance of P824 Million to this year's balance of P562 Million due mainly to the matured placements made by the Real Estate segment.

Receivables increased by 6% from December 31, 2014 balance of P5.32 Billion to this year's balance of P5.65 Billion due mainly to the increase in sales in 2015.

Available-for-sale financial assets decreased by 40% from December 31, 2014 balance of P14 Million to this period's balance of P9 Million due mainly to the redemption of certain investments and the effect of changes in stock prices.

Investment in trading securities decreased by 8% from December 31, 2014 balance of P37 Million to this period's balance of P34 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 20% from 2015 balance of P13.92 Billion to this year's balance of P16.74 Billion due to the retail segment's expansion and additional stocking requirement of the new organic and acquired stores during the year 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 P12.98 Billion.

Prepayments and other current assets increased by P643 Million or 55% at the end of December 2015, due primarily to additional input vat coming from purchase of inventory and payment of various expenses and increase in prepaid expenses from availment of new policies for insurance of new stores and advance payment of rent for soon to open stores by the Grocery Retail Segment.

Due from related parties increased by P146 Million at the end of December 2015, due primarily to additional advances.

Non-current Assets

As at December 31, 2015 and 2014, total non-current assets amounted to P58.12 Billion or 60% of total assets, and P52.72 Billion or 59% of total assets, respectively, for an increase of P5.39 Billion or 10%.

Property and equipment-net pertains to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment increased by P852 Million from P15.28 Billion in December 2014 to P16.14 Billion in December 2015 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment during the period.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P2.07 Billion or 16% from P12.77 Billion in December 2014 to P14.84 Billion in December 2015 due principally to additional six (6) commercial mall assets acquired during the year.

Investments increased by P77 Million or 8% from P912 Million in December 2014 to P989 Million in December 2015 resulting mainly from the additional investment equity investments during the year to its unconsolidated joint venture affiliate, Ayagold Retailers and offset by the effect of share in results of operations of joint venture and associates by the Grocery Retailing Segment, Specialty Retail Segment and Holding, Oil and Gas segment.

Similarly, **intangible assets** increased by P1.66 Billion or 8% in 2015 representing additional goodwill amounts paid resulting from the acquisition by the Grocery Retailing Segment of nine (9) NE supermarkets in February 2015 and eight (8) supermarket stores operating under trade name Budgetlane through Goldtempo Company, Incorporated, a wholly-owned subsidiary of Entenso Equities in August 2015.

Deferred tax assets increased by P223 Million or 186% from P120 Million in December 2014 to P344 Million in December 2015 resulting mainly from the additional deferred tax assets recognized by Specialty Retail and Real Estate Segments.

Other non-current assets increased by P516 Million from P2.61 Billion in December 2014 to P3.12 Billion in December 2015. About 45% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits and advance rentals in relation to new leases acquired for new stores development for the Grocery Retail segment as well as accrued rental income (PAS17) pertaining to future periods for both the Real Estate and the Grocery Retail segments.

Current Liabilities

As at December 31, 2015 and 2014, total current liabilities amounted to P19.0 Billion and P17.26 Billion respectively, for an increase of P1.78 Billion or 10% .

About 73% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The decrease by P540 Million or 4% 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 Grocery Retail segment. The increase by P246 Million from P830 Million as at December 2014 to P1.07 Billion as at December 2015 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2015 in relation to the same period in 2014.

Short-term loans payable account increased by P2.06 Billion mainly due to additional loans availed during 2015 principally by the Grocery Retail, Real Estate and Liquor Distribution segments to augment working capital requirements, offset by the payments made by Liquor Distribution and Specialty Retail Segments.

Current portion of long term borrowing decreased by P438 Million due to settlement made during the period by the Grocery Retail Segment.

Due to related parties increased by P415 Million mainly due to the additional advances made by the Real Estate segment during 2015.

Other current liabilities Increased by 8% from P409 Million as at December 31, 2014 to P442 Million as at December 31, 2015 relatively due to redemption of PERKS points earned by members and recognition of other income from promotions for the period by the Grocery Retail Segment and additional deposits recognized by Real Estate segment.

Noncurrent Liabilities

As at December 31, 2015 and 2014, total non-current liabilities amounted to P13.04 Billion and P12.76 Billion, respectively, for an increase of P280 Million or 2%.

Retirement benefit cost increased by P46 Million or 11% mainly due to the additional retirement benefits recognized by Grocery Retail, Real Estate, Liquor Distribution and Specialty Retail segments.

The movement of **Long term loans payable - net of debt issue cost** amounting to P165 Million pertains to the settlement of loan made by Oil, holding and gas, Grocery Retail and Real Estate segments.

Other non-current liabilities, which is primarily composed of non-current accrued rent, increased by P394 Million or 15% from P2.56 Billion as at December 31, 2014 to P2.95 Billion as at December 31, 2015 due to recognition of rent expense for lease contracts by the Grocery Retail segment in compliance with PAS 17 – *Leases*.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
	2015	2014
Net cash flows from (used in) operating activities	**P5,493,212,316**	P3,308,640,604
Net cash flows from (used in) investing activities	**(6,872,357,680)**	(9,237,204,532)
Net cash flows from financing activities	**239,599,896**	6,913,498,443
Net increase in cash and cash equivalents	**P(1,139,545,468)**	P984,934,515

Net cash from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail and Liquor Distribution Segment during the year to avail early payment discounts, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

On the other hand, net cash flows used by investing activities mainly pertains to the funds used for strategic business acquisitions by the Grocery Retail segment and other related equity investments as well as additional capital expenditures for new stores development and acquisition by the Real Estate segment of additional commercial properties during the year.

Net cash from financing activities principally resulted from the net proceeds from the additional loans obtained by the Grocery Retail segment, Real Estate and Liquor Distributions segment during the year, and reduced by loan repayments by the Grocery Retail, Liquor Distribution, Specialty Retail segment and Parent Company as well as interest paid, dividend payments and shares buy back of shares transactions by both the Parent Company and its Grocery Retail subsidiary segment during the year.

Management believes that the current levels of internally generated operating cash flows 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 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;

(iii) 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;

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

(v) 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;

(vi) 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;

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

(viii) 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;

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

(x) 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.

8

ANNEX B

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A199813754

COMPANY NAME

COSCO CAPITAL, INC. AND SUBSIDIARIES

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
www.coscocapital.com	(02) 548-7110	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	March 31	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
Teodoro A. Polinga	tedpolinga@coscocapital.com.ph	(02) 548-7110	

CONTACT PERSON's ADDRESS

900 Romualdez, Street, Paco, Manila

Note 1: 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.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015

cosco capital
incorporated

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **COSCO CAPITAL, INC. AND SUBSIDIARIES** (the "Group"),- is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern and using the going concern basis of accounting unless management intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and 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 ______ day of APR 1 6 2018 2018 affiants exhibiting to me their respective Tax Identification Number, as follows:

Name	TIN
LUCIO L. CO	108-975-971
LEONARDO B. DAYAO	135-546-815
TEODORO A. POLINGA	104-883-077

Doc. No. 37;
Page No. 9;
Book No. IX,
Series of 2018

CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
COMMISSION NO. 2018-035
UNTIL DECEMBER 31, 2019
PTR NO. 6952347 MANILA 12-06-17
IBP NO. 1062654/12-07-17
MCLE COMPLIANCE NO. V-0014291/02-16-2016
ROLL NO. 55392/05-02-08
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007

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REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Cosco Capital, Inc.
900 Romualdez Street
Paco, Manila

Opinion

We have audited the consolidated financial statements of Cosco Capital, Inc. and Subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, 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, 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition (P145.75 billion)
Refer to Note 3 to the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group and is generated from various sources. It is accounted for when sales transactions are completed, when goods are delivered or services are rendered to the customers and all economic risks of the Group are transferred. While revenue recognition and measurement is not complex for the Group, revenues may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

Our response
We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with Philippine Accounting Standard No. 18, *Revenues*.

- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.

- We involved our information technology specialists to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.

- For retail, specialty retail and liquor distribution segments, we tested, on a sampling basis, sales transactions for the last week of the financial year and the first week of the following financial year to supporting documentation such as generated sales summary reports from point-of-sale system, sales invoices, and delivery receipts to assess whether these transactions are recorded in the correct reporting period. For real estate and property leasing segment, we reviewed the completeness and accuracy of the master list of tenants and, on a sampling basis, we inspected and reviewed new and/or amended lease contracts to ascertain the existence of these lease contracts as well as the completeness and accuracy of the lease terms.

- We vouched, on a sampling basis, sales transactions to supporting documentation such as sales invoices and delivery documents, as applicable, to ascertain that the revenue recognition criteria is met.

- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.

KPMG

Valuation of Goodwill, Trademark and Customer Relationships (P22.53 billion)
Refer to Note 14 to the consolidated financial statements.

The risk
The Group holds significant balances pertaining to goodwill, trademark and customer relationships as a result of several business acquisitions. The annual impairment test of these assets was significant to our audit since this is complex and judgmental by nature as it is based on assumptions of future market and/or economic conditions. The key assumptions used include growth rates, discount rates and sensitivity analyses.

Our response
We performed the following audit procedures, among others, around valuation of goodwill, trademark and customer relationships:

- We assessed management's determination of the recoverable amounts based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management.

- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, cost of inflation and discount rates.

- We also assessed the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected in the risks inherent to the valuation of goodwill, trademark and customer relationships.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

KPMG

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
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SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 6615157MD
Issued January 3, 2018 at Makati City

April 12, 2018
Makati City, Metro Manila

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands Pesos)

	Note	December 31 2017	December 31 2016 (As restated - see Note 33)	January 1 2016 (As Restated - see Note 33)
ASSETS				
Current Assets				
Cash and cash equivalents	*4*	**P15,353,098**	P12,634,464	P14,541,466
Short-term investments	*5*	**-**	909,929	561,956
Receivables - net	*6*	**7,901,686**	6,805,705	5,648,133
Inventories	*7, 20*	**21,194,691**	19,792,366	16,740,693
Investments in trading securities	*8*	**46,888**	35,109	34,433
Available-for-sale (AFS) financial assets	*9*	**8,618**	8,199	8,587
Due from related parties	*25*	**74,354**	185,136	156,017
Prepaid expenses and other current assets	*10*	**3,014,609**	1,626,699	1,808,074
Total Current Assets		**47,593,944**	41,997,607	39,499,359
Noncurrent Assets				
Investments	*11*	**933,797**	926,669	989,190
Property and equipment - net	*12, 33*	**26,622,702**	24,090,074	22,558,070
Investment properties - net	*13, 33*	**10,753,607**	10,010,807	9,974,034
Intangibles and goodwill - net	*14*	**22,776,064**	22,598,516	21,005,967
Deferred oil and mineral exploration costs - net	*15*	**122,947**	121,381	120,896
Deferred tax assets - net	*27*	**64,438**	116,588	343,673
Loans to related parties - noncurrent portion		**-**	-	211
Other noncurrent assets	*16, 21, 33*	**2,746,790**	2,736,901	2,480,940
Total Noncurrent Assets		**64,020,345**	60,600,936	57,472,981
		P111,614,289	P102,598,543	P96,972,340
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	*17*	**P13,793,132**	P11,775,810	P12,180,372
Short-term loans	*18*	**5,562,500**	5,362,500	4,316,194
Current maturities of long-term debts	*18*	**2,443,402**	164,434	570,000
Income tax payable		**1,032,749**	1,102,118	1,075,502
Due to related parties	*25*	**849,772**	690,335	457,158
Other current liabilities	*19*	**505,407**	542,543	441,865
Total Current Liabilities		**24,186,962**	19,637,740	19,041,091
Noncurrent Liabilities				
Long-term debts - net of current portion	*18*	**4,782,210**	7,223,505	8,693,424
Deferred tax liabilities - net	*27*	**774,280**	751,935	758,795
Retirement benefits liability	*26*	**592,387**	513,453	479,825
Deposits for future subscriptions in a subsidiary		**-**	150,313	150,313
Other noncurrent liabilities	*21, 33*	**2,834,358**	2,533,360	2,304,934
Total Noncurrent Liabilities		**8,983,235**	11,172,566	12,387,291
Total Liabilities		**33,170,198**	30,810,306	31,428,382

Forward

		December 31		January 1
	Note	2017	2016 (As restated - see Note 33)	2016 (As Restated - see Note 33)
Equity				
Capital stock	*28*	**P7,405,264**	P7,405,264	P7,405,264
Additional paid-in capital	*28*	**9,634,644**	9,634,644	9,634,644
Treasury shares	*28*	**(628,203)**	(523,865)	(440,507)
Remeasurements of retirement liability - net of tax	*26*	**28,365**	692	(28,577)
Net unrealized gain (loss) on AFS financial assets	*9*	**5,012**	4,593	4,981
Retained earnings	*28*	**38,147,384**	33,808,565	29,868,620
Total Equity Attributable to Equity Holders of Cosco Capital, Inc.		**54,592,466**	50,329,893	46,444,425
Non-controlling interests		**23,851,625**	21,458,344	19,099,533
Total Equity		**78,444,091**	71,788,237	65,543,958
		P111,614,289	P102,598,543	P96,972,340

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands Pesos)

		Years Ended December 31		
	Note	**2017**	2016	2015
REVENUES				
Net sales		**P144,134,663**	P127,406,728	P114,902,151
Services		**1,614,638**	1,778,296	1,848,044
Production lifting		**528**	1,177	1,987
		145,749,829	129,186,201	116,752,182
COST OF SALES	*33*			
Cost of goods sold	*20*	**120,510,762**	106,327,420	95,829,719
Cost of services	*20*	**917,463**	887,905	958,763
		121,428,225	107,215,325	96,788,482
GROSS PROFIT		**24,321,604**	21,970,876	19,963,700
OTHER OPERATING INCOME	*22*	**3,580,941**	3,361,826	2,967,933
		27,902,545	25,332,702	22,931,633
OPERATING EXPENSES	*23, 33*	**16,426,309**	14,526,122	12,875,678
INCOME FROM OPERATIONS		**11,476,236**	10,806,580	10,055,955
OTHER INCOME (EXPENSES) - Net				
Interest expense	*18*	**(406,413)**	(345,678)	(426,568)
Interest income		**133,433**	136,642	134,728
Others - net	*24*	**(78,870)**	(40,098)	40,241
		(351,850)	(249,134)	(251,599)
INCOME BEFORE INCOME TAX		**11,124,386**	10,557,446	9,804,356
INCOME TAX EXPENSE	*27*	**3,291,071**	3,088,052	2,817,114
NET INCOME		**P7,833,315**	P7,469,394	P6,987,242
Net income attributable to:				
Equity holders of Cosco Capital, Inc.		**P4,924,647**	P4,734,101	P4,490,644
Non-controlling interests		**2,908,668**	2,735,293	2,496,598
		P7,833,315	P7,469,394	P6,987,242
Basic/Diluted earnings per share attributable to equity holders of Cosco Capital, Inc.	*30*	**P0.69**	P0.66	P0.63

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands Pesos)

		Years Ended December 31		
	Note	**2017**	2016	2015
NET INCOME		**P7,833,315**	P7,469,394	P6,987,242
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss in subsequent periods				
Changes in fair values of available-for-sale financial assets	*9*	**419**	(388)	(1,951)
Item that will never be reclassified subsequently to profit or loss				
Remeasurements of retirement benefit liability	*26*	**77,554**	85,948	59,227
Income tax effect		**(23,253)**	(25,763)	(17,768)
		54,720	59,797	39,508
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P7,888,035**	P7,529,191	P7,026,750
Total comprehensive income attributable to:				
Equity holders of Cosco Capital, Inc.		**P4,952,739**	P4,763,168	P4,509,910
Non-controlling interests		**2,935,296**	2,766,023	2,516,840
		P7,888,035	P7,529,191	P7,026,750

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands Pesos)

	Attributable to Equity Holders of the Parent Company							
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Re-measurements of Retirement Liability - Net of Tax	Cumulative Unrealized Gain (Loss) on AFS Financial Assets	Retained Earnings	Non-controlling Interest	Total Equity
As at January 1, 2017	**P7,405,264**	**P9,634,644**	**(P523,865)**	**P692**	**P4,593**	**P33,808,565**	**P21,458,344**	**P71,788,237**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**4,924,647**	**2,908,668**	**7,833,315**
Other comprehensive loss for the year	**-**	**-**	**-**	**27,673**	**419**	**-**	**26,628**	**54,720**
Total comprehensive income for the year	**-**	**-**	**-**	**27,673**	**419**	**4,924,647**	**2,935,296**	**7,888,035**
Effect of business combination	**-**	**-**	**-**	**-**	**-**	**150,313**	**-**	**150,313**
Acquisition of treasury shares	**-**	**-**	**(104,338)**	**-**	**-**	**-**	**-**	**(104,338)**
Cash dividends	**-**	**-**	**-**	**-**	**-**	**(736,141)**	**(542,015)**	**(1,278,156)**
Total transactions with the owners	**-**	**-**	**(104,338)**	**-**	**-**	**(585,828)**	**(542,015)**	**(1,127,843)**
As at December 31, 2017	**P7,405,264**	**P9,634,644**	**(P628,203)**	**P28,365**	**P5,012**	**P38,147,384**	**P23,851,625**	**P78,444,091**
As at January 1, 2016	P7,405,264	P9,634,644	(P440,507)	(P28,577)	P4,981	P29,868,620	P19,099,532	P65,543,957
Net income for the year	-	-	-	-	-	4,734,101	2,735,293	7,469,394
Other comprehensive income for the year	-	-	-	29,455	(388)	-	30,730	59,797
Total comprehensive income for the year	-	-	-	29,455	(388)	4,734,101	2,766,023	7,529,191
Effect of business combination	-	-	-	(186)	-	(204,124)	(700)	(205,010)
Acquisition of treasury shares	-	-	(83,358)	-	-	-	-	(83,358)
Cash dividends	-	-	-	-	-	(590,032)	(406,511)	(996,543)
Total transactions with the owners	-	-	(83,358)	(186)	-	(794,156)	(407,211)	(1,284,911)
As at December 31, 2016	P7,405,264	P9,634,644	(P523,865)	P692	P4,593	P33,808,565	P21,458,344	P71,788,237
As at January 1, 2015	P7,405,264	P9,634,644	(P252,621)	(P49,793)	P6,932	P25,925,960	P17,008,378	P59,678,764
Net income for the year	-	-	-	-	-	4,490,644	2,496,598	6,987,242
Other comprehensive income for the year	-	-	-	21,216	(1,951)	-	20,242	39,507
Total comprehensive income for the year	-	-	-	21,216	(1,951)	4,490,644	2,516,840	7,026,749
Effect of business combination	-	-	-	-	-	42,889	-	42,889
Acquisition of treasury shares	-	-	(187,886)	-	-	-	-	(187,886)
Cash dividends	-	-	-	-	-	(590,873)	(425,686)	(1,016,559)
Total transactions with the owners	-	-	(187,886)	-	-	(547,984)	(425,686)	(1,161,556)
As at December 31, 2015	P7,405,264	P9,634,644	(P440,507)	(P28,577)	P4,981	P29,868,620	P19,099,532	P65,543,957

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands Pesos)

		Years Ended December 31		
	Note	**2017**	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P11,124,386**	P10,557,445	P9,804,356
Adjustments for:				
Depreciation and amortization	*12, 13, 14*	**2,050,105**	1,788,344	1,662,555
Interest expense	*18*	**406,414**	345,678	426,568
Rent expense in excess of billings		**259,803**	416,995	424,382
Retirement benefits cost	*26*	**159,361**	132,877	105,616
Interest income	*4, 5*	**(133,433)**	(136,642)	(134,728)
Share in net loss of joint ventures and associates	*11*	**132,872**	62,521	8,275
Unrealized foreign exchange loss		**23,468**	19,353	18,855
Gain on insurance claim	*24*	**(14,268)**	-	(38,722)
Unrealized loss (gain) in trading securities	*8, 24*	**(11,779)**	(676)	3,853
Dividend income		**(1,856)**	(825)	(10,108)
Gain on disposal of property and equipment		**(206)**	(377)	(3,887)
Gain on sale of available-for-sale financial (AFS) assets		**-**	-	(2,709)
Operating income before changes in working capital		**13,994,867**	13,184,693	12,264,306
Decrease (increase) in:				
Receivables - net		**(1,095,981)**	(1,391,862)	(326,147)
Investments in trading securities		**-**	-	3,016
Inventories		**(1,402,325)**	(3,051,673)	(2,948,600)
Prepaid expenses and other current assets		**(1,930,501)**	(47,677)	(636,494)
Due from related parties		**110,782**	(28,907)	(138,184)
Increase (decrease) in:				
Accounts payable and accrued expenses		**2,175,362**	152,687	(1,034,469)
Due to related parties		**159,437**	233,177	414,552
Other current liabilities		**(37,136)**	100,678	32,947
Other noncurrent liabilities		**41,196**	(11,401)	388,945
Cash generated from operations		**12,015,701**	9,139,715	8,019,872
Income taxes paid		**(2,767,602)**	(2,651,642)	(2,193,270)
Interest paid		**(495,049)**	(346,903)	(307,870)
Retirement benefits paid		**(1,876)**	(13,567)	(6,665)
Net cash provided by operating activities		**8,751,174**	6,127,603	5,512,067

Forward

	Note	2017	2016	2015
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	12	**(P4,439,923)**	(P3,909,301)	(P2,415,450)
Proceeds from maturity of short-term investments		**909,929**	-	262,122
Additions to investment properties	13	**(680,527)**	(725,371)	(2,239,468)
Effect of business combination		**(270,000)**	(224,627)	(612,946)
Additions to investments	11	**(140,000)**	-	(87,500)
Interest received		**133,433**	136,642	134,728
Additions to intangibles	14	**(30,349)**	(70,901)	(1,531,720)
Proceeds from insurance claim		**14,268**	-	38,722
Increase in other noncurrent assets		**(9,640)**	(433,128)	(516,014)
Proceeds from disposal of property and equipment		**9,195**	4,559	82,789
Dividends received		**1,856**	825	10,108
Increase in oil and mineral exploration		**(1,567)**	(486)	(1,728)
Proceeds from redemption of AFS financial assets	9	**-**	-	4,000
Additions to short-term investments	5	**-**	(347,973)	-
Net cash used in investing activities		**(4,503,325)**	(5,569,761)	(6,872,357)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of short-term loans	18	**6,749,500**	3,205,000	3,611,500
Payment of short-term loans	18	**(6,549,500)**	(2,109,000)	(818,500)
Cash dividends paid		**(1,431,408)**	(1,532,952)	(1,358,714)
Payment of long-term debts	18	**(170,001)**	(1,925,180)	(1,006,800)
Buyback of capital stocks		**(104,338)**	(83,358)	(187,886)
Net cash (used in) provided by financing activities		**(1,505,747)**	(2,445,490)	239,600
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(23,468)**	(19,354)	(18,855)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,718,634**	(1,907,002)	(1,139,545)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**12,634,464**	14,541,466	15,681,011
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**P15,353,098**	P12,634,464	P14,541,466

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousand Pesos, Except Par Value,
Number of Shares and Per Share Data, and Exchange Rates)

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. Its shares of stock are publicly traded in the Philippine Stock Exchange (PSE) since September 26, 1988. As at December 31, 2017, the Parent Company's public float stood at 26.56%.

On October 8, 1999, the Parent Company's shareholders approved the amendment of its primary purpose from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Parent Company. On January 13, 2000, the SEC approved the aforementioned amendments of the Parent Company's Articles of Incorporation. 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") of the Parent Company 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 P74.8 billion worth of shares in Puregold Price Club, Inc. (PPCI), Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco, Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp., and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in these aforementioned companies, under the terms and conditions to be determined by the Parent Company's BOD.

On December 11, 2012, in a special meeting, the Parent Company's shareholders approved the increase in the Parent Company's authorized capital stock and increase in par value from P3 billion divided into 300 billion common shares with a par value of P0.01 per share to P10 billion divided into 10 billion common shares with a par value of P1 per share. On the same meeting, the Parent Company's shareholders resolved to change the Parent Company's corporate name from Alcorn Gold Resources Corporation to 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 restructuring of the Parent Company's authorized capital stock as well as the change of its corporate name. Further, the SEC confirmed the final number of subscribed shares of 4,987,406,421 at an aggregate revised subscription price of P74.81 billion 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 PPCI 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 companies mentioned above became subsidiaries of Cosco. The transaction was accounted for using the pooling of interests method. Accordingly, the Parent Company recognized the net assets of the acquired subsidiaries equivalent to their carrying values.

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on April 12, 2018.

Basis of Measurement

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

Items	Measurement bases
Investments in trading securities	Fair value
Available-for-sale financial (AFS) assets (except for unquoted equity investments which are measured at cost)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest thousand pesos (P000), unless otherwise stated.

Basis of Consolidation

The consolidation financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2017 and 2016 and for each of the three years ended December 31, 2017. The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as "the Group"):

	Effective Percentage of Ownership			
	2017		2016	
	Direct	Indirect	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) [b] and Subsidiaries	**51**		51	
▪ Kareila Management Corporation (KMC) and Subsidiaries		**51**		51
¤ S&R Pizza (Harbor Point), Inc.		**51**		51
¤ S&R Pizza, Inc.		**51**		51
▪ PPCI Subic, Inc. (PSI)		**51**		51
▪ Entenso Equities Incorporated (EEI) and Subsidiaries		**51**		51
¤ Goldtempo Company Incorporated (GCI) [b]		**51**		51
¤ Daily Commodities, Inc. [b]		**51**		51
¤ First Lane Super Traders Co., Inc. [b]		**51**		51
Liquor distribution				
Montosco, Inc.	**100**		100	
Meritus Prime Distributions, Inc.	**100**		100	
Premier Wine and Spirits, Inc.	**100**		100	
Real estate and property leasing				
Nation Realty, Inc.	**100**		100	
Patagonia Holdings Corp.	**100**		100	
Ellimac Prime Holdings, Inc. (EPHI) [a]	**100**		100	
Fertuna Holdings Corp.	**100**		100	
Pure Petroleum Corp.	**100**		100	
NE Pacific Shopping Centers Corporation (NPSCC)	**100**		100	
Specialty retail				
Office Warehouse, Inc.	**100**		100	
Canaria Holdings Corporation (CHC) and Subsidiaries	**90**		90	
▪ Liquigaz Philippines Corporation (LPC)		**90**		90
▪ Calor Philippines Holdings, Inc. (CPHI)		**90**		90
Oil and mining				
Alcorn Petroleum and Minerals Corporation (APMC)	**100**		100	

[a] *The merger of EPHI and 118 Holdings, Inc. (EPHI as the surviving entity), was approved by SEC on January 28, 2016.*

[b] *The merger of PPCI, Goldtempo Company Incorporated, Daily Commodities, Inc., and First Lane Super Traders Co., Inc. (PPCI as the surviving entity), was approved by SEC on November 22, 2017. PPCI adopts January 1, 2018 as the effective date of the merger and is in the process of finalizing documentary requirements to be submitted to SEC.*

All subsidiaries are incorporated in the Philippines and the functional currency is the Philippine peso.

Subsidiaries

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. A subsidiary is an entity that is controlled by the Parent Company (i.e., either directly or through intermediate parent companies within the Group). Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gain control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the separate financial statements of subsidiaries to bring their accounting policies into line with the Group's separate accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group:

- derecognizes the carrying amounts of the assets (including goodwill, if any) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, and the cumulative transaction differences recorded in equity;

- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and

- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Non-controlling Interests (NCI)
Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to the equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiaries as follows: PPCI, LPC, CHC and CPHI (see Note 28).

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 cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, a bargain purchase gain is recognized immediately in the consolidated statements of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units (CGU), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs, to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU or group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

The Group performs its impairment test of goodwill on an annual basis or earlier whenever events or changes in circumstances indicate that goodwill may be impaired.

Common Control Business Combinations
Business combinations involving entities under common control are business combinations in which all of the entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02, *PFRS 3.2 Common Control Business Combinations.*

The purchase method of accounting is used, if the transaction was deemed to have commercial substance from the perspective of the reporting entity. In determining whether the business combination has commercial substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

In applying the pooling of interests method, the Group follows PIC Q&A No. 2012-01, *PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the acquired company for the reporting period in which the common control business combinations occur, are included in the Group's consolidated financial statements at their carrying amounts from the actual date of the acquisition. No adjustments are made to reflect the fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;

- No 'new' goodwill is recognized as a result of the business combination. The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired company is considered as equity adjustment from business combinations, included under "Retained earnings" account in the equity section of the statements of financial position; and

- As a policy, no restatement of financial information in the Group's consolidated financial statements for periods prior to the transaction is made.

Management's Use of Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared in accordance with PFRS require management to exercise judgments, make accounting estimates and use 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.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Evaluating Classification of Lease Agreements

Operating Lease Commitments - Group as Lessee. The Group has entered into several lease agreements on premises it uses for its operations. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are accounted for under operating lease.

Operating Lease Commitments - Group as Lessor. The Group entered into several arrangements for the lease of land, buildings and commercial spaces on its properties classified under investment properties account and storage tanks classified under the property and equipment account; and various agreements to sublease portion of its leased store spaces. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are accounted for under operating lease.

Determining Whether an Acquisition of Group of Assets Represents Asset Acquisition or Business Combination

At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

When the acquisition of a group of assets does not constitute a business, it is accounted for as an acquisition of assets. The purchase price is allocated to the assets acquired based upon their relative fair values at the date of acquisition and no goodwill or deferred tax is recognized.

Distinction between Investment Properties and Property and Equipment
Management distinguishes whether the Group's land and buildings are investment properties rather than owner-occupied properties or properties held for sale. The distinction of investment properties is based on whether these properties are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business. Moreover, an investment property generates cash flows largely independently of the other assets held by an entity.

Management assessed that the Group's land and buildings are held for rentals and are neither held for sale nor owner-occupied properties. Accordingly, these properties are presented as investment properties (see Note 13).

Determining whether Significant Influence or Control Exist in an Investee Company
Determining whether the Group has significant influence only in an investee requires significant judgment. The Group has significant influence over the investee if it has the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies. Control is achieved when the parent company is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

Upon consideration of these factors, the Group has determined that its joint arrangements in PG Lawson Company, Inc., AyaGold Retailers, Inc. and Mariveles Joint Venture Corporation as joint ventures (see Note 11).

Evaluating Useful Lives of Property and Equipment and Investment Properties with Finite Lives
The Group estimates the useful lives of property and equipment and investment properties with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties with finite lives 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, estimation of the useful lives of property and equipment and investment properties with finite useful lives 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 and investment properties with finite lives would increase recorded expenses and decrease non-current assets.

No changes in the estimated useful lives of the property and equipment and investment properties with finite useful lives were made in 2017 and 2016.

Evaluating 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.

No changes in the estimated useful lives of the computer software and licenses and leasehold rights were made in 2017 and 2016.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

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.

Allowance for impairment losses on receivables amounted to P137.06 million and P134.84 million as at December 31, 2017 and 2016, respectively (see Note 6).

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

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

No provision for impairment losses on merchandise inventories, liquor, wines and spirits and LPG, autogas and LPG accessories had been recognized in 2017 and 2016.

Estimating Fair Value of Investment Properties
The fair value of investment properties presented for disclosure purposes is based on market values, being the estimated amount for which the property can be sold, or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Estimated fair value of investment properties is disclosed in Note 13 to the consolidated financial statements. Market data approach is employed in determining the fair market value of the property. This involves the comparison of the subject property with other similar properties which have been sold recently plus current asking prices and offers, thereby establishing a measure of market reaction to the subject property. In the process of comparison, adjustments are usually made to account for its differences with the property on such comparative factors as location, physical characteristics, time and allowances for bargaining. The fair value of the investment properties is classified as Level 2 in the fair value hierarchy.

Assessment of Impairment on Property and Equipment, Investment Properties, Computer Software and Licenses, Leasehold Rights, Deferred Oil and Mineral Exploration Costs, Investments in Associates and Joint Ventures
PFRS require that an impairment review be performed on property and equipment, investment properties, computer software and licenses, leasehold rights, deferred oil and mineral exploration costs, investments in associates and joint ventures when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the net recoverable amount of assets requires the 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 amounts and any resulting impairment loss could have a material adverse impact on the results of operations.

In 2017 and 2016, no impairment loss was recognized on the Group's property and equipment, investment properties, computer software and licenses, leasehold rights, deferred oil exploration costs, investments in associates and joint ventures. As at December 31, 2017 and 2016, deferred mineral exploration cost was fully impaired (see Note 15).

Impairment of Goodwill, Trademarks and Customer Relationships
The Group performed its annual impairment test as at December 31, 2017. The recoverable amount of each CGU has been determined based on a value-in-use (VIU) calculation using cash flow projections from financial budgets based on long range plans approved by management.

The VIU is based on cash flows projections for five (5) years using a terminal growth rate of 1% to 3% and 3% to 10% in 2017 and 2016, respectively, and discount rates of 10.32% to 10.96% and 11.94% to 20.40% in 2017 and 2016, respectively. The values assigned to the key assumptions have been updated to reflect the demand for products and services and are based on internal sources (i.e., historical data).

VIU is the most sensitive to changes in discount rate and growth rate.

- Growth rate estimates

  Growth rates include long-term and terminal growth rates that are based on past experiences and strategies being developed by the management for each segment. The outlook for the industry was also considered in estimating the growth rates. A change in the long-term growth rate by 1% to 4% would not result to impairment.

- Discount rates

  The Group uses the weighted-average cost of capital (WACC) as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on publicly available market data. An increase in discount rate of 0.08% to 6.00% and 0.10% to 11.10%, in 2017 and 2016, respectively, would result in impairment.

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

Estimating Retirement Benefits
The present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. The defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

As of December 31, 2017 and 2016, the Group's present value of defined benefit obligations is shown in Note 26 to the consolidated financial statements.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards

The Group has adopted the following relevant and applicable amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies.

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

  The Group provided a reconciliation between the opening and closing balances for liabilities arising from financing activities (see Note 18).

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

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

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

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  The Group's accounting policy for determining the amount of future taxable profits for the recognition of deferred tax assets is consistent with the amendments to standards. Therefore, there are no changes to this accounting policy.

- *Annual Improvements to PFRS 2014-2016 Cycle - Clarification of the scope of the Standard (Amendments to PFRS 12, Disclosure of Interest in Other Entities).* The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

New Standards and Interpretations and Amendments to Standards Not Yet Adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Group has not applied the following relevant and applicable new standards and interpretations and amendments to standards in preparing these consolidated financial statements.

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 adoption of PFRS 9 will have no significant impact on the classification and measurement of the Group's financial assets and financial liabilities at January 1, 2018. Further, future adoption of the new hedge accounting requirements will have no effect on the Group's consolidated financial statements since the Group has no transactions eligible for hedge accounting. However, the adoption will have an effect on the amount of the Group's credit losses. The management has not yet fully assessed the financial impact of these changes as of date.

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

  The Group has an ongoing assessment of the application of PFRS 15 and have yet to reasonably estimate the potential impacts on the Group's consolidated financial statements.

- *Transfers of Investment Property (Amendments to PAS 40 Investment Property)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The Group's accounting policy for the requirements on when it should transfer a property asset to, or from, investment property is consistent with the amendments to standards. Therefore, there are no expected changes to this accounting policy when adopted.

- *Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The Group's accounting policy for determining the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is consistent with the interpretations. Therefore, there are no expected changes to this accounting policy when adopted.

Effective January 1, 2019

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

  Future adoption of the standards will result in the recognition of the right-of-use of asset, lease liability and additional disclosures. Management is still evaluating the financial impact of the new standard on the Group's consolidated financial statements as of the reporting period.

  The following interpretations and amendments to standards are not expected to have impact on the Group's consolidated financial statements:

  - Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2, *Share-based Payment*);
  - Applying PFRS 9 with PFRS 4, *Insurance Contracts* (Amendments to PFRS 4);
  - Annual Improvements to PFRS 2014 - 2016 Cycle:
    - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* - Deletion of short-term exemptions for first-time adopters; and
    - Amendment to PAS 28, *Investments in Associates and Joint Ventures* - Measuring an associate or joint venture at fair value;
  - Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*;

- Prepayment Features with Negative Compensation (Amendments to PFRS 9); and
- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28).

Cash and Cash Equivalents

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 change in value.

Short-term Investments

Short-term investments pertain to money market placements with maturities of more than three months to one year from dates of placement and are subject to an insignificant risk of change in values.

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. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

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

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity investments and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017 and 2016, the Group's financial assets and financial liabilities consist of cash on hand, loans and receivables, financial assets at FVPL, AFS financial assets and other financial liabilities.

'Day 1' difference
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' difference) 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' difference amount.

Financial Assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term and on initial recognition, they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets may be designated by management at initial recognition at FVPL 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.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statements of financial position at fair value. Changes in fair value are reflected in profit or loss under 'Unrealized valuation gain (loss) on financial assets at FVPL'. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recognized in profit or loss according to the terms of the contract, or when the right to receive payment has been established.

The Group's investments in trading securities are classified under this category (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. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired.

Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

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

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. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in other comprehensive income and are reported as "Cumulative unrealized gain (loss) on AFS financial assets" in equity. When the financial asset is disposed of, the cumulative gain or loss previously recorded in other comprehensive income is recognized in profit or loss. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on financial assets are recognized in profit or loss as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investments. The major factor of this decision is whether or not the Group will experience inevitable further losses on investments.

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.

These financial assets are classified as noncurrent unless there is intention to dispose of such assets within 12 months of the reporting date.

As at December 31, 2017 and 2016, the Group's AFS financial assets include investments in preferred and common shares, quoted common and golf club shares and investments in bonds (see Notes 9 and 11).

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

The Group's accounts payable and accrued expenses, loans payable (both short-term loans and long-term debts), due to related parties and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and retirement benefits liability) (see Notes 17, 18, 19, and 26) are included in this category.

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 rights 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 expires. 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.

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in 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 asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 30% or more and "prolonged" as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income is removed from other comprehensive income and recognized in profit or loss.

Impairment losses on equity investments are recognized in the profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" account in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any. If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed

Customers' Deposits

Refundable noninterest-bearing security deposits from customers under operating lease agreements are initially valued at the fair values based on its present values of the estimates future cash flows. The difference between the cash received and its fair value is recorded as unearned rent income in the consolidated statements of financial position and is amortized to rental income over the lease term. Subsequently, the customers' deposits are carried at amortized cost using the effective interest method.

Fair Value Measurements

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

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

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy, as explained above.

Inventories
Inventories are valued at the lower of cost and net realizable value. Inventories include merchandise inventories, liquefied petroleum gas (LPG), autogas, and LPG accessories and liquors, wines and spirits. Costs incurred in bringing each inventory to its present location and condition are accounted as follows:

Merchandise inventories	- Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using moving average method
Liquors, wines and spirits.	- Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using first-in, first-out method
LPG, autogas, and LPG accessories	- Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using weighted average method

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

Prepaid Expenses and Other Current Assets
Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Other current assets are classified in the consolidated statements of financial position as current assets when the cost of goods and services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Investments in Associates and Joint Ventures
An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of the investee, but not control over those policies.

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 of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in the profit or loss of the associate is recognized as "Share in net income (loss) of joint ventures and associates" account in profit or loss. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or join venture arising from changes in the associate or joint venture's other comprehensive income. The Group's share of those changes is recognized in the consolidated statements of income. Unrealized gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the associate or join venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate or joint. Such impairment loss is recognized in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the statements of income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

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

	Number of Years
Buildings	15 - 30
Storage tanks	25 - 40
Furniture and fixtures	2 - 20
Office and store equipment	2 - 15
Transportation equipment	3 - 5

Wells, platforms and other facilities comprising oil and gas property represents the Group's share in the Service Contract (SC) 14's total capitalized exploration and development expenditures. These are depreciated 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.

Leasehold improvements are amortized over 3 to 20 years or the lease term, whichever is shorter.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Investment Properties

Investment properties consist of land and buildings held to earn rentals. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the costs of replacing part of an existing investment property at the time the costs are incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing an investment property. Investment properties, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is stated at cost less any accumulated impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

	Number of Years
Land improvements	25
Buildings	10 - 50

The remaining useful lives and depreciation method are reviewed periodically to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from buildings and land improvements.

Buildings in progress which represents properties under construction are stated at cost and depreciated only from such time as the relevant assets are completed and put into operational use. Upon completion, these properties are classified to the relevant investment property or property and equipment account.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-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 owner-occupation or commencement of development with a view to earn rentals.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value 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.

Investment properties are derecognized when either they have been disposed of, or when investment properties are permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Construction in Progress

Construction in progress, which are stated at cost, are properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, which are carried at cost less any recognized impairment loss. This includes the costs of construction and other direct costs. These assets are not depreciated until such time that the relevant assets are completed and available for use.

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.

Intangible assets with finite useful lives are amortized over their useful economic lives and assessed for impairment whenever there is indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss in the expense category consistent with the function of the intangible assets. Computer software and licenses and leasehold rights has finite useful lives. Amortization is computed on a straight-line basis over the estimated useful lives of the intangible assets with finite useful lives as follows:

	Number of Years
Computer software and licenses	5
Leasehold rights	20

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 not amortized but are tested for impairment annually either individually or at the cash-generating unit level. The useful life of intangible assets 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.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

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 Group 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 Non-financial Assets

The Company assesses at end of each reporting period whether there is indication that the noncurrent non-financial assets, other than inventories and deferred tax assets, may be impaired. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or the CGU are written down to their recoverable amounts. The recoverable amount of the noncurrent non-financial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants less the incremental cost directly attributable to disposals. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

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

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.

PPCI enters into a non-contributory multi-employer plan which is accounted for as a defined benefit plan. PPCI is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at PPCI's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from PPCI to the Retirement Fund.

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

Capital Stock

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of any tax effects, and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Own equity instruments which are reacquired (treasury shares) 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.

Retained Earnings and Dividend Distribution

Retained earnings include all current and prior period results as reported in profit or loss, prior period adjustments less declaration of dividends.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to shareholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.
Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding any discounts, rebates, returns and sales taxes.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Transfer of risk and rewards of ownership coincide either at the point of sale in the stores or with delivery of the goods to the customers.

Rental
Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease, as applicable. It also includes chargeable utilities and common usage service area (CUSA) fees which are recognized and billed based on monthly consumption and/or fixed rate per leased area, whichever is applicable.

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
Interest income pertains to income recognized as the interest accrues using the effective interest method.

Dividend Income
Dividend income is recognized when the Group's right to receive payment is established.

Other Operating income
Other income includes commissions, retail display allowances, share from sale of goods under concession arrangements, membership fees, display or slotting fees, and in-store demos and sampling fees and other miscellaneous income. Other income is recognized to the extent that the economic benefits will flow to the Company and the amount of the revenue can be measured reliably.

Cost and Expense Recognition
Costs and expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized when they are incurred. The following specific recognition criteria must also be met before costs and expenses is recognized:

Cost of Sales
Cost of goods sold includes the purchase price of the goods sold, as well as costs that are directly attributable in bringing the inventory to its intended condition and location. These costs include the cost of transporting and handling the goods, and other incidental expenses.

Cost of services pertains to direct expenses incurred in relation to the management of the Group's investment properties. These costs include real property taxes, depreciation, repairs and maintenance, utilities, and other related expenses.

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

Borrowing Costs
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. Other borrowing costs are expensed as incurred.

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.

Operating Leases
Group as a Lessee. Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as a 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. Contingent rents are recognized as income in the period in which they are earned.

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. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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 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
Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects 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 an interest expense.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when inflows of economic benefits are 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 year, after retroactive adjustment for stock dividend declared in the current period, if any. Diluted EPS is also computed in the same manner as the aforementioned, except that, the net income and the number of common shares outstanding is adjusted for the effects of all potential dilutive debt or equity instruments.

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2017**	2016
Cash on hand		**P965,557**	P874,643
Cash in banks	*31, 32*	**5,043,320**	4,947,574
Money market placements	*31, 32*	**9,344,221**	6,812,247
		P15,353,098	P12,634,464

Cash in banks earns interest at the respective bank deposit rates. Money market placements are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing money market placement rates ranging from 0.30% to 3.75% in 2017, 0.05% to 3.74% in 2016 and 0.38% to 4.80% in 2015.

Interest income earned from cash in banks and money market placements amounted to P121.04 million, P127.21 million and P128.24 million in 2017, 2016 and 2015, respectively.

5. Short-term Investments

These short-term investments are investments with original maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing short-term investment rates ranging from 1.0% to 2.50% in 2016 and 2015.

Interest income earned from short-term investments amounted P12.39 million, P9.43 million and P6.49 million in 2017, 2016 and 2015, respectively.

6. Receivables

This account consists of:

(In thousands pesos)	*Note*	**2017**	2016
Trade receivables		**P5,933,015**	P5,003,919
Non-trade receivables		**2,034,863**	1,831,823
Others		**68,228**	104,802
		8,036,106	6,940,544
Less allowance for impairment losses on trade receivables		**134,420**	134,839
	31, 32	**P7,901,686**	P6,805,705

Trade receivables consist of receivables from retail, specialty retail, liquor distribution and real estate and property leasing segments. These pertain to credit sales significantly from the Company's credit account holders and credit card companies. These are noninterest-bearing and are generally on a 3 to 90 days credit terms.

Nontrade receivables include receivables from tenants that sublease spaces in PPCI's stores. These also include receivables from suppliers with respect to retail display allowances, share from sale of goods under concession arrangements, display or slotting fees, and in-store demos and sampling fees. These are noninterest-bearing and are generally collectible within 30 to 60 days. The remaining balance consists of noninterest-bearing advances to officers and employees which are due to be liquidated within one year or through salary deduction.

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

(In thousands pesos)	***Note***	**2017**	2016
Beginning balance		**P134,839**	P149,684
Provisions during the year	*23*	**128**	-
Write-offs during the year		**(547)**	(14,845)
Ending balance		**P134,420**	P134,839

7. Inventories

This account consist of:

(In thousands pesos)	***Note***	**2017**	2016
At cost:			
Merchandise inventories		**P18,045,055**	P16,762,355
Liquors, wines and spirits		**2,571,323**	2,752,628
LPG, autogas and LPG accessories		**578,313**	277,383
	20	**P21,194,691**	P19,792,366

Inventory charged to cost of sales amounted to P120.51 billion, P106.33 billion and P95.83 billion in 2017, 2016 and 2015, respectively (see Note 20).

8. Investments in Trading Securities

This account represents the Group's investments in stocks listed in the PSE which are accounted for at FVPL. There is no change in management's intention to hold the investments for trading purpose.

The fair values presented have been determined directly by reference to published prices quoted in the PSE as at reporting dates.

Net changes in fair value of investments in trading securities is included in Others - net under "Unrealized valuation gain (loss) on investments in trading securities" account in the consolidated statements of income (see Note 24).

9. Available-for-Sale Financial Assets

This account consists of:

(In thousands pesos)	*Note*	2017	2016
Investments in shares of stock			
Quoted	*31, 32*	**P6,931**	P6,512
Unquoted	*31, 32*	**2,304**	2,304
		9,235	8,816
Investments in debt securities	*31, 32*	**7,262**	7,262
		16,497	16,078
Less current portion		**8,618**	8,199
	11	**P7,879**	P7,879

The movements in the AFS financial assets are as follows:

(In thousands pesos)	2017	2016
Balance at beginning of year	**P16,078**	P16,466
Unrealized fair value gains (losses)	**419**	(388)
Balance at end of year	**P16,497**	P16,078

The movements in the unrealized fair value changes of AFS financial assets are as follows:

(In thousands pesos)	2017	2016
Balance at beginning of year	**P4,593**	P4,981
Change in fair value during the year	**419**	(388)
Balance at end of year	**P5,012**	P4,593

Quoted shares of stock represents investments in listed equity securities in the PSE and are readily marketable at the option of the Group.

Unquoted shares of stock represent investments in an unlisted entity incorporated in the Philippines and club shares. These are carried at cost since the fair values cannot be determined reliably in the absence of an observable market data on these related assets.

Investments in debt securities represent investments in Manila Electric Company preferred shares which are acquired in connection with the installation of electrical systems for the various stores and offices of the retail segment.

10. Prepaid Expenses and Other Current Assets

This account consists of:

(In thousands pesos)	**2017**	2016
Prepaid expenses	**P1,192,488**	P623,929
Input VAT - net	**716,597**	550,876
Advances to suppliers	**560,510**	210,025
Deferred input VAT - current	**262,461**	137,736
Advances to contractors	**215,534**	13,988
Creditable withholding tax	**53,789**	63,840
Others	**13,230**	26,305
	P3,014,609	P1,626,699

The details of prepaid expenses are as follows:

(In thousands pesos)	***Note***	**2017**	2016
Rent	*21*	**P709,659**	P455,896
Supplies		**227,853**	21,569
Taxes and licenses		**144,181**	65,343
Insurance		**97,659**	64,881
Repairs and maintenance		**6,228**	7,410
Others		**6,908**	8,830
		P1,192,488	P623,929

Input VAT represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services subjected to VAT.

Advances to suppliers pertain to partial down payments made by the liquor distribution segment to foreign suppliers which will be applied against future billings.

Deferred input VAT represents accumulated input VAT from purchases of capital goods above P1.0 million. This is amortized for a period of five (5) years.

Advances to contractors pertain to the Group's advances and down payments for the purchase of construction materials and supplies and contractor services. These are liquidated every progress billing payments.

Creditable withholding tax pertains to the tax withheld at source by the Group's customers and is creditable against the income tax liability of the Group.

11. Investments

This account consists of:

(In thousands pesos)	***Note***	**2017**	2016
Investments in associates		**P508,230**	P495,942
Investments in joint ventures		**417,688**	422,848
AFS financial assets - noncurrent	*9*	**7,879**	7,879
		P933,797	P926,669

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of ownership interest are shown below:

(In thousands pesos)	Percentage of Ownership		Carrying Value	
	2017	2016	**2017**	2016
Associates				
San Roque Supermarkets Retail Systems, Inc. (SRS)	**49**	49	**P433,543**	P424,425
Peninsula Land Bay Realty Corporation (PLBRC)	**50**	50	**74,687**	71,517
			508,230	495,942
Joint ventures				
PG Lawson Company, Inc. (PG Lawson)	**70**	70	**237,190**	256,996
AyaGold Retailers, Inc. (AyaGold)	**50**	50	**123,005**	110,350
Mariveles Joint Venture Corporation (MJVC)	**50**	50	**57,493**	55,502
			417,688	422,848
			P925,918	P918,790

All associates and joint ventures are incorporated in the Philippines.

Investments in Associates

SRS

On December 4, 2013, the Group through Entenso acquired interest in SRS for a total cost of P371.90 million. The acquisition represents 49.34% of SRS' total outstanding common shares. SRS operates 'San Roque Supermarket' stores and 'San Roque Pharmacy' stores in Metro Manila.

On February 28, 2014, the SEC approved the increase in authorized capital stock of SRS. Subsequently, on October 31, 2014, the Group through Entenso subscribed and paid for additional 190,008 common shares for a total cost of P19.00 million, representing 49.34% of the increase in the authorized capital stock of SRS.

PLBRC

The Group's interest in PLBRC is held indirectly at an effective interest of 45% through LPC (at 20% interest) and through CPHI (at 30% interest). PLBRC is primarily engaged in the business of acquiring, developing and leasing real estate properties to joint venture.

Following are the unaudited condensed financial information of associates and reconciliation of the summarized financial information to the carrying amount of the Group's interest in the associates as of and for the years ended December 31:

	SRS		PLBRC	
(In thousands pesos)	**2017**	2016	**2017**	2016
Current assets	**P1,063,945**	P715,776	**P 98,227**	P 78,377
Noncurrent assets	**205,635**	214,619	**59,743**	79,123
Current liabilities	**933,892**	618,297	**8,596**	14,466
Noncurrent liabilities	**16,505**	11,395	**-**	-
Net assets	**P319,183**	P300,703	**P149,374**	P143,034
Group's share of net assets	**P157,485**	P148,367	**P74,687**	P71,517
Adjustments	**276,058**	276,058	**-**	-
Carrying amount of the investment	**P433,543**	P424,425	**P74,687**	P71,517
Revenue	**P6,513,842**	P5,836,932	**P60,000**	P60,000
Net income (loss)	**18,479**	(7,607)	**6,340**	6,180
Other comprehensive income	**-**	6,939	**-**	-
Total comprehensive income (loss)	**P18,479**	(P668)	**P6,340**	P6,180
Share of comprehensive income (loss) for the year	**P9,118**	(P328)	**P3,170**	P3,090

Investments in Joint Ventures

PG Lawson

On June 12, 2014, the Group through PPCI entered into a joint venture agreement with Lawson Asia Pacific Holdings Pte. Ltd., a company incorporated in Singapore and a subsidiary of Lawson, Inc. of Japan, to incorporate PG Lawson, a company that will operate 'Lawson' convenience stores in the Philippines.

PPCI contributed cash to PG Lawson upon its incorporation in 2014 amounting to P350 million representing its 70% interest in the joint venture.

In 2017, PPCI subscribed to an additional 1,400,000 common shares at P100 par value for a total amount of P140 million.

AyaGold

On July 8, 2013, the Group through Entenso entered into a joint venture agreement with Varejo Corp. (now ALI Capital Corp.), a subsidiary of Ayala Land, Inc. (both companies are incorporated in the Philippines), to incorporate AyaGold. AyaGold shall operate 'Merkado Supermarket' stores which will be based on Ayala-run shopping malls.

Entenso contributed cash to AyaGold upon its incorporation in 2013 amounting to P60 million representing its 50% interest in the joint venture.

MJVC

MJVC is a 50-50 joint venture between LPC and Total Petroleum Philippines Corporation [now Total (Philippines) Corporation]. MJVC is organized primarily 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 LPG 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, LPG 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 (see Note 25).

Following are the unaudited condensed financial information of joint ventures and reconciliation of the summarised financial information to the carrying amount of the Group's interest in the joint ventures as of and for the years ended December 31:

	PG Lawson		AyaGold		MJVC	
(In thousands pesos)	**2017**	2016	**2017**	2016	**2017**	2016
Current assets	**P230,148**	P188,220	P259,743	P133,396	**P67,396**	P53,653
Noncurrent assets	**254,166**	290,773	155,518	166,864	**51,202**	61,425
Current liabilities	**127,069**	98,539	173,018	83,326	**3,664**	4,133
Noncurrent liabilities	**18,295**	7,818	-	-	-	-
Net assets	**P338,950**	P372,636	**P242,243**	P216,934	**P114,934**	P110,945
Group's share of net assets	**P237,189**	P256,996	**P121,122**	P108,467	**P57,493**	P55,502
Goodwill	-	-	**1,883**	1,883	-	-
Carrying amount of the investment	**P237,190**	P256,996	**P123,005**	P110,350	**P57,493**	P55,502
Revenue	**P457,912**	P270,882	**P455,099**	P346,622	**P28,000**	P25,000
Net income (loss)/ total comprehensive income (loss)	**(P233,794)**	(P87,544)	**P25,308**	(P10,866)	**P3,988**	P4,866
Share of comprehensive income (loss) for the year	**(P159,806)**	(P61,281)	**P12,655**	(P3,771)	**P1,991**	P2,433

12. Property and Equipment

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

(In thousands pesos)	Land	Buildings	Storage Tanks	Furniture and Fixtures	Office and Store Equipment	Transportation Equipment	Leasehold Improvements	Wells, Platforms and Other Facilities	Construction in-progress	Total
Cost										
January 1, 2016, as restated	P3,226,873	P9,212,378	P1,488,728	P2,417,133	P6,155,723	P280,671	P6,396,435	P204,955	P384,830	P29,767,726
Additions	451,847	432,778	39,191	174,606	763,006	76,862	579,212	-	2,008,554	4,526,056
Disposals	-	-	-	(1,436)	(5,419)	(5,526)	(782)	-	-	(13,163)
Reclassification	(24,870)	100,393	-	38,826	228,483	(921)	1,047,049	-	(1,141,618)	247,342
December 31, 2016, as restated	3,653,850	9,745,549	1,527,919	2,629,129	7,141,793	351,086	8,021,914	204,955	1,251,766	34,527,961
Additions	29,667	908,441	47,065	208,639	772,806	20,001	489,192	-	2,138,426	4,614,239
Reclassifications	26,752	60,269	-	51,644	337,014	-	905,681	-	(1,598,302)	(216,942)
Disposals	-	(1,736)	(62)	(1,726)	(13,569)	(2,370)	(2,382)	-	-	(21,845)
December 31, 2017	**3,710,269**	**10,712,523**	**1,574,922**	**2,887,686**	**8,238,044**	**368,717**	**9,414,405**	**204,955**	**1,791,890**	**38,903,411**
Accumulated Depreciation and Amortization										
January 1, 2016, as restated	-	2,457,985	450,088	1,032,596	3,476,301	178,805	1,121,064	44,918	-	8,761,757
Depreciation and amortization, as restated	-	296,186	57,270	176,730	724,003	77,511	354,348	-	-	1,686,048
Disposals/retirements	-	-	-	(141)	(3,108)	(5,526)	(206)	-	-	(8,981)
Reclassification	-	-	-	187	(207)	(917)	-	-	-	(937)
December 31, 2016, as restated	-	2,754,171	507,358	1,209,372	4,196,989	249,873	1,475,206	44,918	-	10,437,887
Depreciation and amortization	-	314,377	60,113	204,106	859,662	34,368	442,555	-	-	1,915,181
Disposals	-	(554)	(24)	(1,606)	(7,484)	(2,343)	(846)	-	-	(12,857)
Reclassifications	-	(53,267)	-	-	-	-	(6,235)	-	-	(59,502)
December 31, 2017	-	**3,014,727**	**567,447**	**1,411,872**	**5,049,167**	**281,898**	**1,910,680**	**44,918**	-	**12,280,709**
Carrying Amounts										
December 31, 2016, as restated	P3,653,850	P6,991,378	P1,020,561	P1,419,757	P2,944,804	P101,213	P6,546,708	P160,037	P1,251,766	P24,090,074
December 31, 2017	**P3,710,269**	**P7,697,796**	**P1,007,475**	**P1,475,814**	**P3,188,877**	**P86,819**	**P7,503,725**	**P160,037**	**P1,791,890**	**P26,622,702**

Transfer from property and equipment with net book value amounting to P162,710 pertain to transfer of "Buildings" account to "Investment properties" due to the change in use as determined by the management.

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

(In thousands pesos)	***Note***	**2017**	2016	2015
Cost of sales	*21*	**P251,714**	P221,657	P181,024
Operating expenses	*23, 33*	**1,663,467**	1,464,391	1,304,351
		P1,915,181	P1,686,048	P1,485,375

13. Investment Properties

This account consists of:

(In thousands pesos)	**Land**	**Building**	**Construction in-progress**	**Total**
Cost				
January 1, 2016, as restated	P6,185,159	P4,335,618	P224,697	P10,745,474
Additions	51,582	7,839	49,193	108,614
December 31, 2016, as restated	6,236,741	4,343,457	273,890	10,854,088
Additions	314,903	42,826	322,797	680,526
Reclassifications	-	246,256	(29,313)	216,943
December 31, 2017	**6,551,644**	**4,632,539**	**567,374**	**11,751,557**
Accumulated Depreciation				
January 1, 2016, as restated	-	771,439	-	771,439
Depreciation, as restated	-	71,842	-	71,842
December 31, 2016, as restated	-	843,281	-	843,281
Depreciation	-	95,167	-	95,167
Reclassifications	-	59,502	-	59,502
December 31, 2017	-	**997,950**	-	**997,950**
Carrying Amounts				
December 31, 2016, as restated	P6,236,741	P3,500,176	P273,890	P10,010,807
December 31, 2017	**P6,551,644**	**P3,634,589**	**P567,377**	**P10,753,607**

Transfers from investment property amounting P5,270 pertain to transfer of "Construction in-progress " account to "Property and equipment" due to the change in use as determined at the end of construction or development.

Depreciation expense are charged to cost of services (see Notes 20 and 34).

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

The rental income earned by the real estate and property leasing segment of the Group from these properties amounted to P1,614.64 million, P1,778.29 million and P1,848.04 million in 2017, 2016 and 2015, respectively (see Note 21).

Direct costs incurred pertaining to the lease of these properties amounted to P917.46 million, P887.91 million and 958.76 million in 2017, 2016 and 2015, respectively (see Note 20).

14. Intangibles and Goodwill and Business Combination

This account consists of:

(In thousands pesos)	**2017**	2016
Goodwill	**P17,929,386**	P17,742,733
Trademark	**3,709,661**	3,709,661
Customer relationships	**889,453**	889,453
Leasehold rights	**188,915**	62,417
Computer software and licenses - net	**58,649**	194,252
	P22,776,064	P22,598,516

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.

(In thousands pesos)	**2017**	2016
Retail		
KMC	**P12,079,474**	P12,079,474
Budgetlane Supermarkets	**857,974**	838,525
Gant[1]	**742,341**	742,341
NE Supermarkets	**685,904**	685,904
Company E[2]	**358,152**	358,152
B&W Supermart	**187,204**	-
PJSI[1]	**11,370**	11,370
Merger of PJSI and Gant to PPCI[1]	**4**	4
Specialty Retail		
LPC	**1,624,428**	1,624,428
OWI	**893,790**	893,790
CPHI	**51,432**	51,432
CHC	**9**	9
Real Estate and Property Leasing		
NPSCC	**457,304**	457,304
	P17,929,386	P17,742,733

[1] On August 14, 2012, the SEC approved the Articles and Plan of Merger of the Company for the merger of PPCI to Puregold Junior Supermarket, Inc. (PJSI) and Gant Group of Companies Incorporated (Gant), with PPCI as the surviving entity. Both entities were acquired through business combination in 2012. Upon approval by the SEC of the merger, the costs of investment were eliminated and the corresponding goodwill were still recognized.

[2] On March 12, 2015, the SEC approved the Articles and Plan of Merger of the Company for the merger of PPCI to Company E Corporation (Company E), with PPCI as the surviving entity. Company E was acquired through business combination in 2013. Upon approval by the SEC of the merger, the cost of investment was eliminated and the corresponding goodwill was still recognized.

Movement in goodwill is as follows:

(In thousands pesos)	**2017**	2016
Balance at beginning of the year	**P17,742,733**	P17,711,048
Additions	**187,204**	-
Fair value adjustments	**(551)**	31,685
	P17,929,386	P17,742,733

Acquisition of B and W Supermart, Black and White Supermart and Goodshop Supermart (collectively referred to as "B&W Supermart")
On September 26, 2017, PPCI acquired the fixed assets and rights of B&W Supermart and took over the operations of five (5) supermarkets located in Roxas City, Capiz.

The Group is currently completing the purchase price allocation exercise on the acquisition of B&W Supermart. The identifiable net assets at fair value are based on provisionary amounts as at the acquisition date which is allowed under PFRS 3, *Business Combination*, within one year from the acquisition date.

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

Acquisition cost	P270,000
Fair value of property and equipment	82,796
Goodwill	P187,204

There was no identifiable intangible asset as at acquisition date. The excess of the purchase price over the net assets acquired and the liabilities assumed is attributable to goodwill. The goodwill comprises the fair value of expected synergies arising from the acquisition.

For the three months ended December 31, 2017, B&W Supermart contributed revenue of P70.77 million and net loss of P4.42 million to the Group's results.

Acquisition of Bargain City Inc., Multi-Merchantrade Inc. and Superplus Corporation (collectively referred to as "Budgetlane Supermarkets")
On August 6, 2015, the Group through GCI acquired substantially all of the assets of Budgetlane Supermarkets and took over the operations of the eight (8) supermarkets located mainly in Metro Manila and other parts of Luzon. The said acquisition was considered as a business combination in accordance with PFRS 3.

In 2015, the accounting for the business combination in the Group's consolidated financial statements was determined provisionally as the Group has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities arising from the acquisition.

In 2016, the fair values of the assets and liabilities of Budgetlane Supermarkets at the date of acquisition were finalized as follow:

Purchase price consideration transferred	P1,496,501
Total fair value of identifiable net assets	657,976
Goodwill	P838,525

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

Acquisition of Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (collectively referred to as "NE Supermarkets")

On February 3, 2015, the Group through EEI acquired 100% interest in NE Supermarkets which is currently engaged in the business of trading goods on a wholesale and retail basis in the Northern Luzon.

In 2015, the accounting for the business combination in the Group's consolidated financial statements was determined provisionally as the Group has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities arising from the acquisition.

In 2016, the fair values of the assets and liabilities of NE Supermarkets at the date of acquisition were finalized as follow:

Purchase price consideration transferred	P768,485
Total fair value of identifiable net assets	132,581
Goodwill	P635,904

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

Trademark and Customer Relationships

This account represents 'S&R' trade name and customer relationships which were acquired through business combinations in 2013 (KMC). These were recognized at fair value at the date of acquisition and assessed to have indefinite useful lives. Following initial recognition, the trademarks and customer relationships are carried at cost and subject to annual impairment testing.

Leasehold Rights

On January 25, 2013, PPCI executed a memorandum of agreement with various lessors, namely, BHF Family Plaza, Inc., 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 PPCI 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 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:

(In thousands pesos)	**Computer Software and Licenses**	**Leasehold Rights**	**Total**
Cost			
January 1, 2016	P308,564	P75,355	P383,919
Additions	37,880	-	37,880
December 31, 2016	346,444	75,355	421,799
Additions	30,352	-	30,352
December 31, 2017	376,796	75,355	452,151
Accumulated Amortization			
January 1, 2016	125,505	9,170	134,675
Amortization	26,687	3,768	30,455
December 31, 2016	152,192	12,938	165,130
Amortization	35,989	3,768	39,757
December 31, 2017	188,181	16,706	204,887
Carrying Amounts			
December 31, 2016	P194,252	P62,417	P256,669
December 31, 2017	**P188,615**	**P58,649**	**P247,264**

Amortization is charged to operating expenses (see Note 23).

15. Deferred Oil and Mineral Exploration Costs

This account consists of:

(In thousands pesos)	*Note*	Participating Interest	2017	2016
I. Oil exploration costs:				
SC 14	*a*			
Block C2 (West Linapacan)		1.53%	**P55,024**	P53,746
Block D		5.84%	**8,071**	8,031
Block B1 (North Matinloc)		13.55%	**2**	2
			63,097	61,779
SC 6A	*b*			
Octon Block		0.50%	**17,260**	17,012
North Block		1.57%	**600**	600
			17,860	17,612
SC 51	*c*	9.32%	**32,817**	32,817
SC 6B (Bonita)	*d*	2.11%	**8,027**	8,027
Other oil projects			**527**	527
			41,371	41,371
Balance at end of year			**122,328**	120,762
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**19,208**	19,208
Anoling gold project	*g*	3.00%	**13,817**	13,817
Gold projects	*h*	100.00%	**13,036**	13,036
Cement project	*i*	100.00%	**9,603**	9,603
Other mineral projects	*j, k*		**382**	382
			56,046	56,046
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:			**(56,046)**	(56,046)
Balance at end of year			**-**	-
III. Other deferred charges			**619**	619
			P122,947	P121,381

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

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

a) <u>SC 14 Gabon - Etame, Offshore Gabon, West Africa</u>
   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.

   In 2017, additional deferred charges amounting to P1,318 was capitalized.

b) <u>SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines</u>
   The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. As at December 31, 2011, the Parent Company 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. The Parent Company 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.

In 2017 and 2016, additional deferred charges amounting to P248 and P414, respectively, were capitalized.

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2016, additional deferred charges amounting to P72 was capitalized.

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

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

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

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

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

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

PHSAMED, with the assistance of the Parent Company, 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, 2017 and 2016, there were no further developments on the said project.

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

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

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

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

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

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

On March 4, 2003, the DENR granted the Parent Company's application for a 2-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 2-year extension of the MPSA exploration period.

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

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

As at December 31, 2017, 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 3-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 3-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. The Parent Company has already made several postponements of inspection trips by MGB-5 to the project site.

The Parent Company 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 the Parent Company 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, 2017 and 2016, there were no further developments on the said project.

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

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

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 the Parent Company to secure Affidavit of Consents from the private landowners. The Parent Company 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 the Parent Company 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 the Parent Company 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. the Parent Company's residual 1.35% share on the net smelter return will only kick in when production has been realized. The Parent Company will be carried free in all exploration activities even in the event of confirmatory drilling operations in the later stages.

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

16. Other Noncurrent Assets

This account consists of:

(In thousands pesos)	***Note***	**2017**	2016
Security deposits	*21*	**P1,658,440**	P1,531,843
Accrued rent income	*21*	**582,693**	530,643
Deferred input VAT - noncurrent		**199,029**	424,592
Prepaid rent	*21*	**158,308**	162,195
Others		**148,320**	87,628
		P2,746,790	P2,736,901

17. Accounts Payable and Accrued Expenses

This account consists of:

(In thousands pesos)	*Note*	2017	2016
Trade payables		**P8,643,738**	P6,301,050
Non-trade payables		**1,644,108**	2,166,709
Dividends payable	*18*	**1,200,393**	1,353,645
Due to government agencies		**660,554**	570,873
Retention payable		**74,437**	43,163
Construction bonds		**26,371**	17,283
Advance rentals	*21*	**16,293**	19,077
Trust receipts payable		**4,091**	-
Accrued expense			
Manpower agency services		**913,056**	561,728
Utilities		**164,612**	99,605
Rent		**104,846**	63,481
Professional fees		**61,929**	61,104
Inventory		**26,753**	-
Interest		**6,825**	3,941
Fixed asset acquisition		**5,712**	24,975
Tax assessments		**-**	199,114
Others		**239,414**	290,062
		P13,793,132	P11,775,810

Trade payables represent payable arising mainly from purchases of inventories. These are noninterest-bearing and are generally have a 30 to 60 days payment terms.

Nontrade payables consist mainly of obligations to nontrade suppliers related to the purchases of supplies, fixed assets acquisitions and structures under construction and liabilities in line with the Group's operating expenses. These are normally settled within 12 months.

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to certain percentage % of every billing made by the contractor. Upon completion of the contracted projects, the amounts are returned to the contractors.

Construction bonds pertain to surety bond collected from tenants for their construction of their leased spaces. These are non-interest bearing and refundable upon construction has been completed. The purpose of these bonds is to protect the Group from any damages that the tenants may incur during construction. Upon completion of the construction, the amounts are returned to the tenants.

18. Loans Payable

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

a. Short-term Loans

Details of peso-denominated short-term loans follow:

(In thousands pesos)	**2017**	2016
Balance at beginning of year	**P5,362,500**	P4,266,500
Availments	**6,749,500**	3,205,000
Payments	**(6,549,500)**	(2,109,000)
Balance at end of year	**P5,562,500**	P5,362,500

The balances of peso-denominated short-term loans of each segment as at December 31 follow:

Segment	Purpose(s)	Interests	**2017**	2016
Grocery retail	- Inventory financing - Working capital requirements	2.00% to 2.875%	**P3,812,500**	P4,517,500
Liquor distribution	- Inventory financing	2.40% to 3.57%	**850,000**	245,000
Real estate	- Capital expenditure requirements	2.50% to 2.88%	**600,000**	600,000
Specialty retail	- Working capital requirement	2.38% to 2.88%	**300,000**	-
			P5,562,500	P5,362,500

b. Long-term Debts

Details of long-term debts follow:

(In thousands pesos)	**2017**	2016
Balance at beginning of year	**P7,387,939**	P9,313,118
Payments during the year	**(170,001)**	(1,932,556)
Amortization of debt issue cost	**7,674**	7,377
	7,225,612	7,387,939
Less current portion	**2,443,402**	164,434
	P4,782,210	P7,223,505

The balance of long-term debts of the Parent Company and subsidiaries follow:

(In thousands pesos)	***Note***	**2017**	2016
Cosco			
Fixed-rate peso-denominated loan of 5.267%	*a*	**P3,862,264**	P3,897,433
Fixed-rate peso-denominated loan of 5.579%	*b*	**964,143**	973,409
PPCI			
Fixed-rate peso-denominated note of 3.50%	*c*	**1,999,205**	1,997,097
Fixed-rate peso-denominated note of 2.375%	*d*	**-**	120,000
KMC			
Fixed-rate peso-denominated loan of 3.50%	*e*	**400,000**	400,000
		7,225,612	7,387,939
Less current portion		**2,443,403**	164,434
		P4,782,209	P7,223,505

Cosco
On May 6, 2014, Cosco signed and executed a P5.0 billion corporate financing facility. The proceeds were to finance the Group's strategic acquisition plans and/or for other general corporate requirements. Subsequently, Cosco issued the following:

a. 7-year, unsecured, peso-denominated loan with a consortium of six (6) local banks for P4.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. Debt issuance costs related to this loan amounted to P34.17 million. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the sixth anniversary; and 94.0% of the principal amount on maturity date.

b. 10-year, unsecured, peso-denominated loan with a consortium of two (2) local banks for P1.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. Debt issuance costs related to this loan amounted to P8.54 million. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the ninth anniversary; and 91.0% of the principal amount on maturity date.

The above mentioned loan agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on guarantees, and payments of dividends.

As of December 31, 2017 and 2016, Cosco complied with the covenants of the aforementioned loans.

PPCI

c. On June 13, 2013, PPCI issued a P2 billion peso-denominated promissory note. The note bears a fixed interest of 3.50% per annum. Debt issuance costs related to this loan amounted to P10.0 million. The note has a term of 1,803 days and will be paid on a lump sum on May 21, 2018.

d. On April 14, 2013, PPCI signed and executed a 2-year, peso-denominated promissory note amounting to P963.70 million. The note bears a fixed interest of 3.25% and shall be repaid in a single payment on maturity.

   In 2015, PPCI paid a total of P393.70 million of the principal amount; subsequently, the remaining principal amount was rolled-over at fixed interest of 2.375% and payable on January 11, 2016.

   In 2016, PPCI paid a total of P450.00 million of the principal amount; subsequently, the remaining loan amount was rolled-over and payable on January 4, 2017. In 2017, PPCI paid the note in full.

PPCI is not subject to any covenant for the aforementioned loans.

KMC

e. On July 23, 2013, KMC signed and executed a P500 million loan with a local bank. The 5-year, peso-denominated loan bears a fixed rate of 3.50% per annum and shall be paid on a lump sum at maturity. In 2015, KMC paid in advance a total of P100 million.

KMC is not subject to any covenant for the aforementioned loan.

Movements of debt issue costs as at December 31 are as follow:

(In thousands pesos)	**2017**	2016
Balance at beginning of year	**P32,061**	P39,438
Amortization for the year	**7,674**	7,377
Balance at end of year	**P24,387**	P32,061

Total interest incurred on the above-mentioned loans payable amounted to P497.93 million, P489.49 million and P518.79 million for the years ended 2017, 2016 and 2015, respectively. Capitalized interest in 2017, 2016 and 2015 amounted to P91.52 million, P143.81 million and P92.22 million, respectively (see Notes 12 and 13).

The reconciliation of liabilities arising from financing activities in 2017 is presented below. The details of net cash flows are presented in the consolidated statements of cash flows.

(In thousands pesos)	**Short-term Loans**	**Long-term Debts**	**Interest Payable**	**Dividends Payable**	**Total**
Balance at beginning of year	**P5,362,500**	**P7,387,939**	**P3,941**	**P1,353,645**	**P14,108,025**
Proceeds from loans	6,749,500	-	-	-	6,749,500
Payment of loans	(6,549,500)	(170,001)	-	-	(6,719,501)
Interest expense	-	-	490,259	-	490,259
Interest paid	-	-	(487,375)	-	(487,375)
Cash dividends declared [1]	-	-	-	1,278,156	1,278,156
Cash dividends paid [1]	-	-	-	(1,431,408)	(1,431,408)
Total changes from financing cash flows	200,000	(170,001)	2,884	(153,252)	(120,369)
Amortization of debt issue cost	-	7,674	-	-	7,674
Balance at end of year	**P5,562,500**	**P7,225,612**	**P6,825**	**P1,200,393**	**P13,995,330**

[1] Including dividends to non-controlling shareholders

19. Other Current Liabilities

This account as at December 31 consists of:

(In thousands pesos)	Note	2017	2016
Customers' deposits	*21, 31, 32*	**P252,426**	P274,330
Unredeemed gift certificates		**89,840**	102,276
Loyalty and rewards		**85,730**	88,450
Output VAT - net		**32,251**	48,368
Promotion fund		**19,997**	13,403
Others	*31, 32*	**25,163**	15,716
		P505,407	P542,543

Unredeemed gift certificates represent issued yet unused gift certificates. The corresponding sale will be recognized upon redemption by the customers or upon expiration.

Loyalty and rewards is provided for the points' redemption of "Tindahan ni Aling Puring" members. These points allow their members to redeem or use to pay for the purchase of the PPCI's merchandise inventories.

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

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

20. Cost of Sales

This account for the years ended December 31 consists of:

Cost of Goods Sold

(In thousands pesos)	2017	2016	2015
Beginning inventory	**P19,792,366**	P16,740,693	P13,921,685
Transfer-in	**-**	-	2,441,804
Purchases	**121,348,157**	108,825,535	95,711,852
Overhead costs	**564,930**	553,558	495,071
Total goods available for sale	**141,705,453**	126,119,786	112,570,412
Ending inventory	**21,194,691**	19,792,366	16,740,693
	P120,510,762	P106,327,420	P95,829,719

Overhead cost pertain other costs directly attributable in bringing the LPC's inventories to its intended condition and location. Details of overhead costs follow:

(In thousands pesos)	Note	2017	2016	2015
Freight - in		**P336,611**	P352,494	P303,334
Depreciation and amortization	*12*	**162,722**	140,352	129,592
Throughput fees	*25*	**30,000**	30,000	30,000
Brokers' and other fees		**15,880**	13,376	17,297
Filling costs		**14,888**	15,162	11,629
Other overhead cost		**4,830**	2,174	3,219
		P564,930	P553,558	P495,071

Transfer-in pertains to the beginning inventory of acquired subsidiaries during the year.

Cost of Services

(In thousands pesos)	*Note*	**2017**	2016	2015
Utilities		**P357,787**	P383,928	P399,621
Depreciation	*12, 13, 34*	**184,159**	153,147	202,322
Taxes and licenses		**86,795**	84,483	78,079
Security services		**83,439**	73,720	80,434
Janitorial services		**49,469**	39,515	40,538
Repairs and maintenance		**47,125**	46,692	50,598
Rentals	*21*	**37,362**	32,774	41,627
Management fees		**29,568**	42,238	27,816
Insurance		**18,104**	8,792	7,578
Salaries and wages		**18,035**	14,893	15,713
Amusement tax		**1,970**	1,943	3,907
Retirement benefit cost		**664**	170	-
Operator services		**-**	2,460	2,541
Others		**2,986**	3,150	7,989
		P917,463	P887,905	P958,763

21. Lease Agreements

As Lessor

The Group leases out its investment properties to various lessees. These non-cancellable leases have lease terms of up to twenty five (25) years. Some of the leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The lease agreements, among others, include customers' deposits. These deposits shall answer for any unpaid obligations of the lessee to the Group including damages to the leased properties. Customers' deposits, which are carried at amortized cost, are non-interest bearing and refundable upon termination of the lease agreement, provided that there is no outstanding charges against the tenant. Customers' deposits amounted to P301.13 million and P253.90 as at December 31, 2017 and 2016, respectively. These are included under "Other noncurrent liabilities" account in the consolidated statements of financial position.

Customers' deposits are recognized initially at fair value and subsequently carried at amortized cost. The fair values of customers' deposits are determined using risk-free interest rates. The difference between the fair value and original amounts of customers' deposits amounted to P121.09 million and P127.13 million as at December 31, 2017 and 2016, respectively, and are accounted under "Other noncurrent liabilities" account in the consolidated statements of financial position. These are amortized on a straight-line basis.

Rent income is accounted on a straight-line basis over the lease term. The excess of the total lease income over rental collections amounted to P582.69 million and P530.64 million as at December 31, 2017 and 2016, respectively, and are accounted under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 16).

Rent income recognized as part of "Services" account in profit or loss amounted to P1,614.64 million, P1,778.29 million and P1,848.04 million in 2017, 2016 and 2015, respectively (see Note 13).

The future minimum lease collections under non-cancellable operating leases as at December 31 are as follows:

(In thousands pesos)	**2017**	2016	2015
Due within one year	**P467,283**	P675,624	P539,736
Due more than one year but not more than five years	**1,875,070**	1,098,879	212,455
Due more than five years	**2,074,126**	3,064,695	2,479,500
	P4,416,479	**P4,839,198**	**P3,231,691**

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

Rent income recognized as part of "Other Operating Income" account in profit or loss amounted to amounted P388.65 million, P377.28 million and P370.81 million, respectively (see Note 23).

The future minimum lease collections under non-cancellable operating leases as at December 31 are as follows:

(In thousands pesos)	**2017**	2016	2015
Due within one year	**P186,083**	P213,715	P221,219
Due more than one year but not more than five years	**237,501**	257,952	296,252
Due more than five years	**100,984**	148,073	167,316
	P524,568	P619,740	P684,787

<u>As Lessee</u>

The Group enters into lease agreements for the Group's retail stores, warehouses, corporate office spaces, equipment, plant facilities and refilling stations. These leases have terms ranging from one (1) to fifty (50) years and generally provide for either: (a) 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; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market conditions.

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 Notes 10 and 16).

Rent expense is accounted on a straight-line basis over the lease term. The excess of the total rent expense over the rental payments amounting to P2,412.14 million and P2,152.33 million as at December 31, 2017 and 2016, respectively, are accounted for under "Other noncurrent liabilities" in the consolidated statements of financial position.

Rent expense charged as at December 31 are as follows:

(In thousands pesos)	*Note*	2017	2016	2015
Cost of services	*20*	**P37,362**	P32,774	P41,627
Operating expenses	*23*	**2,375,871**	2,196,065	1,863,394
		P2,413,233	P2,228,839	P1,905,021

The future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

(In thousands pesos)	2017	2016	2015
Due within one year	**P1,787,121**	P1,634,856	P1,485,904
Due more than one year but not more than five years	**7,203,212**	6,038,491	4,534,239
Due more than five years	**28,062,979**	26,233,968	24,539,387
	P37,053,312	**P33,907,315**	**P30,559,530**

22. Other Operating Income

This account for the years ended December 31 consists of:

(In thousands pesos)	*Note*	2017	2016	2015
Concession income		**P1,647,845**	P1,517,080	P1,386,648
Display allowance		**652,853**	615,884	531,928
Rent income	*21*	**388,645**	379,265	371,262
Membership income		**452,974**	399,966	361,239
Service income		**98,362**	151,203	90,099
Listing fee		**69,911**	70,254	30,958
Commission income		**67,567**	82,317	43,257
Demo/sampling income		**17,206**	12,870	8,554
Miscellaneous		**185,578**	132,987	143,988
		P3,580,941	P3,361,826	P2,967,933

Concession income refers to the share of the Group's retail segment from sale of goods under concession arrangements.

Display allowance refers to the fees received by the Group's retail segment from its suppliers in exchange for an improved and/or additional display of their products in the Group's retail stores, such as endcap spaces or mass displays.

Membership income refers to the fees paid by the members of KMC which permits member-customers to avail products and services of KMC. KMC operates 'S&R Membership Shopping' stores in the Philippines.

Rent income refers to the income earned by the Group's retail segment for the store spaces leased by its tenants.

Service income pertains to income generated from promotional activities.

Listing fees refers to the fee charged by the Group's retail segment to its suppliers for the enrollment of their products in the classified business line.

Commission income is earned by the Group's liquor distribution segment from intermediating between local distributors of wines and liquors and foreign suppliers.

Demo/sampling income refers to the fees paid by KMC's suppliers in exchange for a privilege which allows their representatives to conduct in-store demos and/or sampling inside the selling areas.

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

23. Operating Expenses

This account for the years ended December 31 consists of:

(In thousands pesos)	***Note***	**2017**	2016	2015
Manpower agency		**P2,509,972**	P2,138,732	P1,820,179
Rent	*21*	**2,375,871**	2,196,065	1,863,394
Salaries and wages		**2,152,204**	1,911,550	1,674,066
Communication, light and water		**1,952,586**	1,721,292	1,644,044
Depreciation and amortization	*12, 14, 33*	**1,703,223**	1,494,847	1,330,641
Outside services		**1,519,908**	1,364,839	1,188,292
Taxes and licenses		**703,329**	575,972	492,778
Store and office supplies		**556,194**	483,352	445,762
Advertising and marketing		**524,284**	322,057	274,977
Concession expense		**503,476**	477,642	475,969
Repairs and maintenance		**393,479**	402,930	352,351
Distribution costs		**330,494**	203,530	201,271
Insurance		**204,470**	192,353	163,069
Retirement benefits cost	*26*	**158,377**	132,707	111,792
Transportation		**140,532**	130,392	125,555
SSS/Medicare and HDMF contributions		**139,091**	118,674	102,634
Input VAT allocable to exempt sales		**110,968**	93,803	81,816
Representation and entertainment		**85,283**	80,910	126,298
Fuel and oil		**57,937**	45,918	42,815
Professional fee		**46,380**	49,782	31,206
Royalty expense	*25*	**46,332**	42,220	37,211
Impairment loss on receivables	*6*	**128**	-	11,294
Deficiency tax		**-**	51,390	-
Others		**211,791**	295,165	278,264
		P16,426,309	P14,526,122	P12,875,678

24. Others

This account for the years ended December 31 consists of:

(In thousands pesos)	*Note*	**2017**	2016	2015
Unrealized valuation gain (loss) on investments in trading securities	*8*	**P11,779**	P676	(P3,853)
Gain (loss) on disposal of property and equipment		**206**	377	(3,887)
Share in net loss of joint ventures and associates	*11*	**(132,872)**	(62,521)	(9,135)
Bank charges		**(36,735)**	(39,754)	(30,149)
Foreign exchange loss		**(23,468)**	(19,353)	(18,855)
Gain (loss) on insurance claim		**(14,268)**	-	38,722
Parking fee		**-**	-	15,684
Reimbursement of expenses		**-**	790	-
Miscellaneous		**116,488**	79,687	51,714
		(P78,870)	(P40,098)	P40,241

Reimbursements of expenses pertain to recovery of expense charged by the Group's retail segment for promoting the products of its major suppliers.

Gain (loss) on insurance claim represents the net of the insurance proceeds received over the cost of the inventories and machineries damaged by flood and fire.

25. Related Party Transactions

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

Related Party	Year	*Note*	Amount of Transactions for the Year	Due from Related Parties	Due to Related Parties	Terms	Conditions
Under Common Control							
▪ Advances	**2017**	*25a*	**P24,570**	**P26,328**	**P387,850**	Due and demandable;	Unsecured
	2016	*25a*	86,871	184,006	395,307	non-interest bearing	
▪ Management fees	**2017**	*25d*	**23,183**	-	-	Due and demandable;	Unsecured
	2016	*25d*	23,896	-	-	non-interest bearing	
▪ Rent income	**2017**	*25e*	**125,909**	-	-	Due and demandable;	Unsecured
	2016	*25e*	125,909	-	-	non-interest bearing	
▪ Rent expense	**2017**	*25f*	**24,000**	-	-	Due and demandable;	Unsecured
	2016	*25f*	25,030	-	-	non-interest bearing	
Associates							
▪ Throughput fees	**2017**	*25b*	**30,000**	-	**8,572**	Outstanding balance is	Unsecured
	2016	*25b*	30,000	-	8,975	settled in cash within a month after the end of each quarter; non-interest bearing	
▪ Concession expense	**2017**	*25c*	**503,476**	-	-	Due and demandable;	Unsecured
	2016	*25c*	477,642	-	-	non-interest bearing	
Key Management Personnel							
▪ Advances	**2017**	*25a*	**32,790**	**48,026**	**453,350**	Due and demandable;	Unsecured
	2016	*25a*	670,000	1,130	215,510	non-interest bearing	
▪ Royalty expense	**2017**	*25g*	**46,332**	-	**37,066**	Due and demandable;	Unsecured
	2016	*25g*	42,220	-	33,777	non-interest bearing	
▪ Short-term benefits	**2017**		13,492	-	-		
	2016		124,593	-	-		
Total	**2017**			**P74,354**	**P886,838**		
Total	2016			P185,136	P653,569		

a. Advances

   The Group obtained from/extended to its affiliates and key management personnel cash advances for working capital requirements.

b. Throughput Agreement

   On December 15, 2000, the Group thru 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. LPC, 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" in the consolidated statements of comprehensive income.

c. 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 the Group thru KMC, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

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

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

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

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

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

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

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

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

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

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

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

d. The Group entered into a management agreement with Puregold Realty Leasing and Management, Inc. (PRLMI), an entity under common control. Under the agreement, PRLMI shall handle the leasing and marketing, billing and collection, documentation, and property management services of the properties owned by the realty segment of the Group. In consideration of such services, the Group shall pay monthly management fee to PRLMI equivalent to 5.0% to 8.5% of rental collected by PRLMI. The agreement is valid for a year, and is renewable upon mutual agreement of both parties.

e. The Group and PriceSmart entered into lease agreement for the rental of land. The term of the lease is twenty three (23) years and renewable under such terms and conditions that shall be agreed upon by the parties.

f. The Group entered into lease agreement with Union Equities, Inc., an entity under common control. The lease covers a parcel of land where the Group's Sariaya Facilities are located. The term of the lease is for 10 years commencing on December 16, 2015 and may be terminated by the Group at any time with cause and prior notice to the lessor.

g. On August 15, 2011, PPCI ("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.

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

Related Party Transactions and Balances Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation in 2017 and 2016 are as follows:

a. Advances from the Parent Company to its subsidiaries

(In thousands pesos)	Outstanding Balance
2017	**P9,531,783**
2016	9,873,142

These advances are unsecured and with various terms. These are payable in cash.

Interest income from these advances amounted to P20.57 million and P24.6 million in 2017 and 2016, respectively.

b. Advances from subsidiaries to their fellow subsidiaries

(In thousands pesos)	Outstanding Balance
2017	**P296,512**
2016	209,637

These advances are unsecured and with various terms. These are payable in cash.

Interest income from these advances amounted to P770 in 2017.

c. Sale of goods of the subsidiaries within the Group

(In thousands pesos)	Amount of Transactions	Outstanding Balance
2017	**P1,972,635**	**P597,635**
2016	1,562,470	420,394

Receivables from sale of goods are non-interest bearing are generally on a 30 days credit terms.

d. Sale of services of the subsidiaries within the Group

(In thousands pesos)	Amount of Transactions	Outstanding Balance
2017	**P582,570**	**P82,414**
2016	532,215	43,790

Receivables from sale of services are unsecured, non-interest bearing are generally on a 30 days credit terms.

e. Dividend income received by the Parent Company from dividends declared by its subsidiaries

(In thousands pesos)	Amount of Transactions	Outstanding Balance
2017	**P1,064,347**	**P1,739,347**
2016	723,103	1,248,023

Cash dividends are due on payment date.

f. Dividend income received by a subsidiary from dividends declared by a fellow subsidiary

(In thousands pesos)	Amount of Transactions	Outstanding Balance
2017	**P78**	**P56**
2016	80	80

Cash dividends are due on payment date.

g. Dividend income received by a subsidiary from dividends declared by the Parent Company

(In thousands pesos)	Amount of Transactions	Outstanding Balance
2017	**P24,501**	**P40,426**
2016	19,536	19,535

Cash dividends are due on payment date.

h. Management fees charged by the Parent Company to its subsidiaries

(In thousands pesos)	Amount of Transactions	Outstanding Balance
2017	**P110,000**	**P142,000**
2016	200,000	182,000

Receivables from management fees are non-interest bearing and are due and demandable and payable in cash.

26. Retirement Benefit Costs

The Group has an unfunded, non-contributory, defined benefit plan covering all of its permanent employees. The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to at least one-half month (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The term one-half (1/2) month salary shall mean: (a) 50% of the pay salary; (b) one-twelfth (1/12) of the thirteenth (13th) month pay; and (c) one-twelfth (1/12) cash equivalent of not more than five (5) days of service incentive leaves. 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. Valuations are obtained on a periodic basis.

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

(In thousands pesos)	2017	2016
Present value of defined benefits obligation	**P618,300**	P538,453
Fair value of plan assets	**(25,913)**	(25,000)
	P592,387	P513,453

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

(In thousands pesos)	2017	2016
Balance at beginning of year	**P538,453**	P504,825
Included in profit or loss		
Current service cost	**125,920**	101,720
Interest cost	**29,035**	26,069
Past service cost	**5,831**	6,333
	160,786	134,122
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	**(40,467)**	(58,260)
Experience adjustments	**(38,596)**	(28,933)
	(79,063)	(87,193)
Benefits paid	**(1,876)**	(13,567)
Effect of business combination	-	266
Balance at end of year	**P618,300**	P538,453

The following table shows reconciliation from the opening balances to the closing balances for fair value of plan assets:

(In thousands pesos)	2017	2016
Balance at beginning of year	**P25,000**	P25,000
Interest income	**1,425**	1,245
Return on plan asset excluding interest	**(512)**	(1,245)
Balance at end of year	**P25,913**	P25,000

The Group's plan assets as at December 31 consist of the following:

(In thousands pesos)	2017	2016
Cash in banks	**P2,033**	P3,091
Debt instruments - government bonds	**23,648**	21,706
Trust fees payable	**(13)**	(13)
Other	**245**	216
	P25,913	P25,000

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

	2017	2016
Discount rate	**5.29% to 5.70%**	5.29% to 5.70%
Future salary increases	**3.00% to 8.00%**	3.00% to 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.

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

Sensitivity Analysis

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

2017

(In thousands pesos)	**Increase**	**Decrease**
Discount rate (1% movement)	**(P141,076)**	**P110,151**
Future salary increase rate (1% movement)	**125,099**	**(104,120)**

2016

(In thousands pesos)	Increase	Decrease
Discount rate (1% movement)	(P128,039)	P99,486
Future salary increase rate (1% movement)	112,926	(93,857)

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

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

Funding Arrangements

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

Maturity analysis of the benefit payments:

	2017				
(In thousands pesos)	**Carrying Amount**	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P618,300**	**P176,287**	**P25,637**	**P26,616**	**P124,034**

	2016				
(In thousands pesos)	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P538,453	P154,869	P21,592	P37,838	P95,439

Multi-employer Retirement Plan

On February 17, 2014, the PPCI entered into a multi-employer retirement plan agreement with a trust company. PPCI made an initial cash contribution of P25 million pesos.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Company's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

The Group does not expect to contribute to the plan in 2017.

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 2018.

27. Income Taxes

The income tax expense for the years ended December 31 consists of:

(In thousands pesos)	**2017**	2016	2015
Current tax	**P3,216,409**	P2,842,064	P3,017,788
Deferred tax	**74,662**	245,988	(200,674)
	P3,291,071	P3,088,052	P2,817,114

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:

(In thousands pesos)	**2017**	2016	2015
Income before income tax	**P11,124,386**	P10,557,445	P9,804,356
Income tax expense at the statutory income tax rate:			
30%	**P3,439,307**	P3,294,853	P3,243,211
5%	**12,833**	15,845	7,613
Income tax effects of:			
Nondeductible other expenses	**6,368**	34,121	1,301
Changes in unrecognized DTA	**1,245**	10,998	73,268
Non-deductible interest expense	**7,291**	10,268	10,159
Nondeductible expense	**164,576**	1,146	35,928
Dividend income exempt from final tax	**(150,407)**	(223,048)	(358,095)
Interest income subjected to final tax	**(12,223)**	(31,600)	(31,007)
Deduction from gross income due to availment of optional standard deduction	**(170,482)**	(21,720)	(23,199)
Share in net income of an associate	**(953)**	(1,779)	(791)
Non-taxable rental income	**(2,735)**	(1,032)	(95)
Recognition of unrecognized DTA	-	-	(113,768)
Expired NOLCO	-	-	(10,860)
Non-taxable income-net subjected to final tax	**(3,749)**	-	(16,250)
Dividend income subjected to final tax	-	-	(301)
	3,291,071	P3,088,052	P2,817,114

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:

(In thousands pesos)	**2017** **DTA (DTL)**	2016 DTA (DTL)
Accrued rent expense	**P1,039,731**	P955,296
Retirement benefits liability	**227,447**	183,910
Allowance for impairment losses on receivables	**41,916**	42,011
NOLCO	**4,610**	1,381
Advanced rentals	**1,653**	2,909
Unrealized foreign exchange loss	**617**	500
Recognition of DTA	**117**	101
Actuarial losses	**3**	(500)
Provision for gas cylinders	**-**	510
DTA	**1,316,094**	1,186,118
Fair value of intangible assets from business combination	**(1,379,734)**	(1,379,734)
Accrued rent income	**(448,013)**	(398,328)
Remeasurement on retirement liability	**(50,358)**	(22,278)
Prepaid rent	**(113,791)**	(20,136)
Borrowing cost	**(4,535)**	-
Unrealized foreign exchange gain	**(121)**	(988)
DTL	**(1,996,552)**	(1,821,464)
Net	**(P680,458)**	(P635,346)

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 Group has temporary differences for which deferred tax assets were not recognized because management believes that it is not probable that sufficient taxable profits will be available against which the benefits of the deferred taxes can be utilized.

The unrecognized deferred tax assets as at December 31 are as follows:

(In thousands pesos)	**2017**	2016
NOLCO	**P85,749**	P76,682
MCIT	**11,831**	9,528
	P97,580	P86,210

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

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2012	P22,654	(P22,654)	P -	2015
2013	376,230	(376,230)	-	2016
2014	104,037	(104,037)	-	2017
2015	471,225	-	471,225	2018
2016	261,275	-	261,275	2019
2017	130,158	-	130,158	2020
	P1,365,579	(P502,921)	P862,658	

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

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2012	P2,612	(P2,612)	P -	2015
2013	1,316	(1,316)	-	2016
2014	2,569	(2,569)	-	2017
2015	4,071	-	4,071	2018
2016	9,512	-	9,512	2019
2017	3,593	-	3,593	2020
	P23,673	(P6,497)	P17,176	

28. Equity

Capital Stock

The details of the Parent Company's common shares follow:

	2017		2016	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - P1.00 par value	**10,000,000,000**	**P10,000,000**	10,000,000,000	P10,000,000
Issued and outstanding				
Issued	**7,405,263,564**	**P7,405,264**	7,405,263,564	P7,405,264
Less: Treasury shares	**(288,081,290)**	**(288,081)**	(274,083,590)	(274,084)
Outstanding	**7,117,182,274**	**P7,117,183**	7,131,179,974	P7,131,180
Treasury shares				
Balance at beginning of year	**274,083,590**	**P523,865**	263,576,290	P440,507
Share buyback	**13,997,700**	**104,338**	10,507,300	83,358
Balance at end of year	**288,081,290**	**P628,203**	274,083,590	P523,865

Treasury Shares

On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2017 and 2016, the Parent Company renewed its program to buy back its shares for another year.

Of the total shares sold to the public, 43,842,300 and 29,854,600 common shares were reacquired by the Group as at December 31, 2017 and 2016, respectively.

Retained Earnings

Declaration of Cash Dividends

In 2017, 2016 and 2015, the Parent Company's BOD approved cash dividends for common shareholders with the following details:

Type	Date of Declaration	Date of Record	Date of Payment	Dividends Per Share
Cash	December 18, 2015	January 8, 2016	January 18, 2016	P0.06
Cash	December 18, 2015	January 8, 2016	January 18, 2016	0.02
Cash	December 22, 2016	January 12, 2017	January 20, 2017	0.06
Cash	December 22, 2016	January 12, 2017	January 20, 2017	0.02
Cash	December 15, 2017	January 2, 2018	January 26, 2018	0.06
Cash	December 15, 2017	January 2, 2018	January 26, 2018	0.04

As of December 31, 2017 and 2016, total unpaid cash dividends on common shares amounting to P1.20 billion and P1.35 billion, respectively, are included as part of as "Accounts payable and accrued expenses" in the consolidated statements of financial position (see Note 17).

Appropriation of Retained Earnings

LPC

On March 29, 2016, LPC's BOD approved an appropriation of retained earnings amounting to P450.0 million (P45.0 million - attributable to NCI) for the construction of LPG South Terminal located in Sariaya, Quezon which was expected to be completed in 2017. The first phase of the project includes the rehabilitation of the existing 5,100-metric-ton capacity storage tanks while the second phase of the project is the expansion of its storage capacity for an additional 12,000 metric tons.

On October 30, 2017, LPC's BOD approved the proposal to revise the current level of appropriated retained earnings for the rehabilitation of the said terminal by approving additional appropriation amounting to P400.0 million (P40.0 million - attributable to NCI). The revised completion date of the project will be in 2018.

KMC

On December 21, 2016, KMC's BOD approved an appropriation of retained earnings amounting to P2.7 billion (P1.3 billion - attributable to NCI) to finance the construction of four (4) 'S&R Membership Shopping' stores and twelve (12) 'S&R New York Style Pizza' quick service restaurants (QSRs). In 2017, the said appropriation was reversed.

On December 15, 2017, KMC's BOD approved an appropriation of retained earnings amounting to P4.7 billion (P2.3 billion - attributable to NCI) to finance the construction of six (6) new stores and twelve (12) QSRs.

The expansion project is expected to be completed in a period of two (2) years.

NPSCC

On December 10, 2016, NPSCC's BOD approved an appropriation of retained earnings amounting P10.0 million to finance the purchase of new software. The appropriated amount is expected to be utilized within 5 years.

On December 10, 2017, NPSCC's BOD approved an appropriation of retained earnings amounting P70.0 million to finance the improvements in the NE Pacific Mall. The appropriated amount is expected to be utilized within 30 years.

The appropriated retained earnings attributable to the equity holders of the Parent Company as at December 31, 2017 and 2016 amounted to P4.62 billion and P1.79 billion, respectively.

Non-controlling Interests

For the years ended December 31, 2017, 2016 and 2015, movements in NCI pertain to the share in net earnings of and dividends paid to non-controlling shareholders, and NCI on business combinations.

The following table summarizes the financial information of subsidiaries that have material non-controlling interests:

	2017				2016			
(In thousands pesos)	PPCI	LPC	CHC	CPHI	PPCI	LPC	CHC	CPHI
NCI percentages	49%	10%	10%	10%	49%	10%	10%	10%
Carrying amounts of NCI	P23,501,309	P317,393	P10,194	P593	P21,154,073	P2,732	P10,202	P523
Current assets	P31,556,445	P2,120,921	P2,913	P23	P27,801,590	P1,617,493	P2,963	P23
Noncurrent assets	39,905,913	2,711,600	3,528,451	43,816	37,581,124	1,981,876	3,528,451	42,352
Current liabilities	17,461,565	1,634,254	3,429,418	37,913	16,063,776	873,016	3,429,395	36,951
Noncurrent liabilities	6,038,937	24,328	-	-	6,147,359	21,878	-	-
Net assets	P47,961,856	P3,173,939	P101,946	P5,927	P43,171,579	P2,704,475	P102,019	P5,424
Net income attributable to NCI	P2,861,704	P28,925	P5	P50	P2,707,853	P27,319	P6	P152
Other comprehensive attributable to NCI	P26,629	(P584)	P -	P -	P30,956	(P226)	P -	P -
Revenue	P124,491,024	P13,128,497	P1,464	P1,464	P112,589,366	P8,926,568	P3	P2,048
Net income (loss)	P5,840,212	P469,202	(P52)	P502	P5,526,230	P273,187	(P59)	P1,516
Other comprehensive income (loss)	54,345	(5,840)	-	-	63,175	(2,262)	-	-
Total comprehensive income (loss)	P5,894,557	P463,362	(P52)	P502	P5,589,405	P270,925	(P59)	P1,516
Net cash flows provided by (used in):								
Operating	P7,870,357	P391,638	(P50)	P24	P2,699,997	P10,898	P3	P24
Investing	(4,035,979)	(923,700)	50	-	(3,130,992)	(805,018)	-	-
Financing	(2,184,614)	369,043	-	-	600,385	-	-	-
Net increase (decrease) in cash and cash equivalents	P1,649,764	(P163,019)	P -	P24	P169,390	(P794,120)	P3	P24

This information is based on amounts before inter-company eliminations.

29. Segment Information

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

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 LPG, filling and distributions of LPG cylinders as well as distributions to industrials, wholesale and other customers.
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Real estate and property leasing	Includes real estate activities such as selling and leasing of real properties
Oil and mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

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

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

Segment Revenue and Results

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

	Segment Revenues			Segment Profit		
(In thousands pesos)	**2017**	2016	2015	**2017**	2016	2015
Grocery retail	**P124,491,024**	P112,589,366	P97,171,520	**P5,840,212**	P5,526,230	P5,001,872
Specialty retail	**14,953,360**	10,461,156	13,156,565	**528,199**	337,935	508,245
Liquor distribution	**6,662,915**	5,903,677	5,676,831	**628,232**	581,362	659,633
Real estate and property leasing	**2,197,208**	2,325,509	2,422,604	**971,732**	1,022,806	1,027,891
Holding, oil and mining	**528**	1,177	1,987	**953,756**	743,781	973,987
Total	**148,305,035**	131,280,885	118,429,507	**8,922,131**	8,212,114	8,171,628
Eliminations	**2,549,245**	2,094,685	1,677,324	**1,088,848**	742,720	1,184,385
	P145,755,790	P129,186,200	P116,752,183	**P7,833,283**	P7,469,394	P6,987,243

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

(In thousands pesos)	**2017**	2016
Grocery retail		
From external customers	**P124,491,023**	P112,589,366
Specialty retail		
From external customers	**14,949,102**	10,458,999
From intersegment sales	**4,258**	3,158
	14,953,360	10,462,157
Liquor distribution		
From external customers	**4,694,538**	4,344,365
From inter-segment sales	**1,968,377**	1,559,312
	6,662,915	5,903,677
Real estate and property leasing		
From external customers	**1,620,599**	1,793,294
From intersegment sales	**582,570**	532,215
	2,203,169	2,325,509
Oil and mining		
From external customers	**528**	1,177
Total revenue from external customers	**P145,755,790**	P129,187,201
Total intersegment revenue	**P2,555,205**	P2,094,685

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

The Group's reportable segments are all domestic operations.

Segment Assets and Liabilities

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

(In thousands pesos)	**2017**	2016
Segment Assets		
Grocery retail	**P71,462,359**	P65,382,714
Specialty retail	**5,500,231**	4,181,844
Liquor distribution	**6,069,221**	5,357,380
Real estate and property leasing	**24,083,318**	22,855,131
Oil and mining	**97,498,623**	97,291,932
Total segment assets	**204,613,752**	195,069,001
Intercompany assets	**91,907,084**	91,648,804
Total assets	**P112,706,668**	P103,420,197
Segment Liabilities		
Grocery retail	**P23,500,503**	P22,211,135
Specialty retail	**1,942,052**	1,295,232
Liquor distribution	**2,434,362**	2,196,680
Real estate and property leasing	**9,303,643**	8,519,401
Oil and mining	**9,431,182**	9,338,029
Total segment liabilities	**46,611,742**	43,560,477
Intercompany liabilities	**12,382,182**	11,928,518
Total liabilities	**P34,229,560**	P31,631,959

30. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

(In thousands pesos)	**2017**	2016	2015
Net income attributable to equity holders of the Parent Company (a)	**P4,924,615**	P4,734,101	P4,490,644
Weighted average number of common shares (b)	**7,129,817,457**	7,136,692,757	7,148,662,605
Basic/diluted EPS (a/b)	**P0.69**	P0.66	P0.63

There were no potential dilutive common shares in 2017, 2016 and 2015.

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transaction during the year.

31. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Market 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. Outstanding amounts are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

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.

	December 31, 2017			
(In thousands pesos)	**Neither Past Due nor impaired**	**Past Due but not Impaired**	**Impaired**	**Total**
Loans and Receivables				
Cash and cash equivalents[1]	**P14,387,541**	**P -**	**P -**	**P14,387,541**
Receivables	**5,585,612**	**2,181,654**	**134,420**	**7,901,686**
Due from related parties	**74,354**	**-**	**-**	**74,354**
Security deposits[2]	**1,658,440**	-	-	**1,657,315**
Financial Assets at FVPL				
Investments in trading securities	**46,888**	-	-	**46,888**
AFS Investments				
Investments in debt securities	**7,262**	-	-	**7,262**
Investments in shares of stock				
Quoted	**6,931**	-	-	**6,931**
Unquoted	**2,304**	-	-	**2,304**
	P21,769,332	**P2,181,654**	**P134,420**	**P24,084,281**

[1] *Excluding cash on hand amounting to P965.56 million.*
[2] *Included as part of "Other noncurrent assets".*

	December 31, 2016			
(In thousands pesos)	Neither Past Due nor impaired	Past Due but not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents[1]	P11,759,821	P -	P -	P11,759,821
Short-term investments	909,929	-	-	909,929
Receivables	4,918,570	1,752,296	134,839	6,805,705
Due from related parties	185,136	-	-	185,136
Security deposits[2]	1,531,843	-	-	1,531,843
Financial Assets at FVPL				
Investments in trading securities	35,109	-	-	35,109
AFS Investments				
Investments in debt securities	7,262	-	-	7,262
Investments in shares of stock				
Quoted	6,512	-	-	6,512
Unquoted	2,304	-	-	2,304
	P19,356,486	P1,752,296	P134,839	21,243,621

[1] *Excluding cash on hand amounting to P874.64 million.*
[2] *Included as part of "Other noncurrent assets".*

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

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

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

Liquidity Risk

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

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

	December 31, 2017				
(In thousands pesos)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year to 5 Years**	**More than 5 Years**
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	**P13,180,435**	**P13,180,435**	**P13,176,344**	**P -**	**P -**
Short-term loans	**5,562,500**	**5,562,500**	**5,562,500**	**-**	**-**
Due to related parties	**849,772**	**849,772**	**849,772**	**-**	**-**
Long-term debts[2]	**7,225,612**	**8,349,818**	**2,745,807**	**4,616,045**	**987,966**
Customers' deposits[3]	**252,426**	**252,426**	**252,426**	**-**	**-**
	P27,070,745	**P28,194,951**	**P22,586,849**	**P4,616,045**	**P987,966**

[1] *Excluding due to government agencies.*
[2] *Including current and non-current portion.*
[3] *Included as part of "Other current liabilities".*

	December 31, 2016				
(In thousands pesos)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	P11,185,860	P11,185,860	P11,185,860	P -	P -
Short-term loans	5,362,500	5,362,500	5,362,500	-	-
Due to related parties	690,335	690,335	690,335	-	-
Long-term debts[3]	7,387,939	9,239,329	913,799	7,277,487	1,048,043
Customers' deposits[3]	274,330	274,330	274,330	-	-
	P24,900,964	P26,752,354	P18,426,824	P7,277,487	P1,048,043

[1] *Excluding due to government agencies.*
[2] *Including current and non-current portion.*
[3] *Included as part of "Other current liabilities".*

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices that will adversely affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is subject to various market risks, including risks from changes in foreign currency risk, interest rate risk and equity price risk.

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 Company's exposure to the risks for changes in market interest rates relates mainly to the Group's loan payables (both short-term loans and long-term debts). The Group manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Group does not have significant interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk relates primarily to the Group's foreign currency-denominated monetary assets and liabilities. The currencies in which these transactions are primarily denominated are United States dollar (USD), Singaporean dollar (SGD), British pound (GBP), Australian dollar (AUD) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2017					
(In thousands)	**USD**	**SGD**	**GBP**	**AUD**	**EUR**	**PHP Equivalent**
Foreign Currency-Denominated Monetary Assets						
Cash	596	-	-	-	-	29,766
Trade receivables	3,397	-	-	-	6	169,962
	3,993	-	-	-	6	199,728
Foreign Currency-Denominated Monetary Liabilities						
Trade payable	8,792	36	22	126	893	499,971
Net Foreign Currency-Denominated Monetary Liabilities	(4,799)	(36)	(22)	(126)	(887)	(300,243)

(In thousands)	December 31, 2016 USD	SGD	GBP	AUD	EUR	PHP Equivalent
Foreign Currency-Denominated Monetary Assets						
Cash	881	-	-	-	-	43,905
Trade receivables	2,208	-	-	-	-	110,001
	3,089	-	-	-	-	153,906
Foreign currency-denominated monetary liabilities						
Trade payable	1,432	52	-	242	2,155	193,522
Net Foreign Currency-Denominated Monetary Assets (Liabilities)	1,657	(52)	-	(242)	(2,155)	(39,616)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2017	2016
USD	**49.93**	49.81
SGD	**37.32**	34.35
GBP	**67.12**	60.87
AUD	**38.91**	35.78
EUR	**59.61**	51.84

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

(In thousands pesos)	**December 31, 2017** **Percentage Increase in Foreign Exchange Rates**	**Effect in Income before Income Tax**
USD	**5%**	**P8,386 decrease**
SGD	**7%**	**65 decrease**
GBP	**10%**	**105 decrease**
AUD	**3%**	**103 decrease**
EUR	**9%**	**3,354 decrease**

(In thousands pesos)	December 31, 2016 Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	1%	P578 increase
SGD	5%	63 decrease
AUD	7%	424 decrease
EUR	3%	2,346 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Equity Price Risk
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity price risk because of equity securities held as financial assets at FVPL and AFS investments by the Group.

The table below shows the sensitivity to a reasonably possible change in equity prices, with all other variables held constant, of the Group's equity securities due to changes in their carrying values.

(In thousands pesos)	Percentage Increase (Decrease) in Equity Price	Effect in Total Comprehensive Income
2017	**25%**	**P13,455 increase**
2016	(2%)	P832 decrease

The sensitivity range is based on the historical volatility of the Philippine Stock Exchange index (PSEi) for the past year. A movement in the opposite direction would increase/decrease total comprehensive income by the same amount, on the basis that all other variables remains constant.

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.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

32. Fair Value of Financial Instruments

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

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

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

Security Deposits
The estimated fair value of security deposits is based on the present value of expected future cash flows using the applicable discount rates based on the current market rates of identical or similar types of loans and receivables as at reporting date. The difference between the carrying amount and fair value of security deposits is considered immaterial by management.

Investments in Trading Securities and AFS Financial Assets – Quoted (Level 1)
The fair values of investments in trading securities and quoted AFS financial asset sand similar investments are based on quoted market prices in an active market.

AFS Financial Assets - Unquoted
Unquoted AFS financial assets are carried at cost less any allowance for impairment losses because fair value cannot be reliably measured due to the unpredictable nature of cash flows and lack of suitable methods of arriving at a reliable fair value.

Accounts Payable and Accrued Expenses, Short-term Loans, Due to Related Parties and Customers' Deposits
The carrying amounts of accounts payable and accrued expenses, short-term loans, due to related parties and customers' deposits approximate the fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debts
The fair value of long-term debts is based on the discounted value of expected future cash flows using the applicable market rates for similar types of loans as at reporting date. The difference between the carrying amount and fair value of long-term debts is considered immaterial by management.

As at December 31, 2017 and 2016, the Group has no financial instruments valued based on Level 2 and 3. During the year, there were no transfers into and out of Level 3 fair value measurements.

33. Reclassification of Accounts

Certain accounts in 2016 consolidated financial statements have been reclassified to conform with the 2017 consolidated financial statements presentation as follows:

	January 1, 2016		
(In thousands pesos)	As Previously Reported	Reclassification	As Restated
Statement of Financial Position			
Noncurrent assets:			
Property and equipment - net	P16,136,868	P6,421,202	P22,558,070
Investment properties - net	14,843,133	(6,421,202)	9,974,034
Other noncurrent assets	3,125,426	(644,486)	2,480,940
Noncurrent liability			
Other noncurrent liability	2,949,420	(644,486)	2,304,934

(In thousands pesos)	December 31, 2016 As Previously Reported	Reclassification	As Restated
Statement of Financial Position			
Noncurrent assets			
Property and equipment - net	P18,662,865	P5,427,209	P24,090,074
Investment properties - net	15,438,016	(5,427,209)	10,010,807
Other noncurrent assets	3,125,426	(821,654)	2,736,901
Noncurrent liability			
Other noncurrent liability	3,355,014	(821,654)	2,533,360
Statement of Comprehensive Income			
Cost of services	107,273,971	(58,646)	107,215,325
Operating expenses	14,467,476	58,646	14,526,122

Owner-occupied properties previously classified as part of "Investment properties - net" has been reclassified to "Property and equipment - net". These pertain to properties owned by the Group's real estate and property leasing segment which are being leased out by the Group's retail segment. Consequently, related depreciation charges were also reclassified from "Cost of services" to "Operating expenses".

Intercompany accrued rent income/expense were offset.

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Cosco Capital, Inc. and Subsidiaries
900 Romualdez Street
Paco, Manila

We have audited, in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Cosco Capital, Inc. (the "Company") and Subsidiaries (the "Group") as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, and have issued our report thereon dated April 12, 2018.

Our audits were made for the purpose of forming an opinion on the 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 Company's management.

- Supplementary Schedules of Annex 68-E
- Map of Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Reconciliation of Retained Earnings Available for Dividend Declaration of the Company

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and not required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 6615157MD
Issued January 3, 2018 at Makati City

April 12, 2018
Makati City, Metro Manila

ANNEX C

COSCO CAPITAL, INC. AND SUBSIDIARIES
SEC Supplementary Schedules and Other Documents
December 31, 2017

Table of Contents

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE A: FINANCIAL ASSETS
December 31, 2017
(Amounts in thousands pesos)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Investments in trading securities	various	P46,888	P46,888	P11,779[1]
Available-for-sale financial assets	various			
Investments in debt securities	various	7,262	7,262	1,856[2]
Investments in shares of stock	various			
Quoted	various	6,931	6,931	419[1]
Unquoted	various	2,304	2,304	-
		P63,385	**P63,385**	**P14,054**

[1] This represents Unrealized fair value gains.
[2] This represents Dividend income.

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

December 31, 2017

(Amounts in thousands pesos)

Name and designation of debtor	Balance at the beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current
Advances						
Meritus Prime Distributions, Inc.	P50,000	P -	P30,000	P -	P20,000	P -
Montosco, Inc.	524,000	-	290,000	-	234,000	-
Premier Wine and Spiritis, Inc.	191,000	-	-	-	191,000	-
Ellimac Prime Holdings, Inc.	3,651,328	183,026	107,122	-	3,727,232	-
Fertuna Holding Corporation	104,441	-	-	-	104,441	-
Patagonia Holdings Corp.	917,808	-	-	-	917,808	-
Nation Realty, Inc.	300,966	-	-	-	300,966	-
Liquigaz Philippine Corporation	14	-	14	-	-	-
Calor Philippine Holdings, Inc.	36,637	875	-	-	37,512	-
Office Warehouse, Inc.	1,519	-	-	-	1,519	-
Canaria Holdings Corporation	3,429,215	-	-	-	3,429,215	-
Alcorn Petroleum and Minerals Corporation	395,974	-	4,371.23	-	-	-
Fertuna Holdings Corp.	15,000	-	-	-	15,000	-
Kareila Management	500,000	-	-	-	300,000	-
NE Pacific Shopping Centers Corp.	9	-	-	-	-	-
Dividends						
Puregold Price Club, Inc.	423,103	564,347	423,103	-	564,347	-
NE Pacific Shopping Centers Corporation	75,000	50,000	-	-	125,000	-
Nation Realty, Inc.	50,000	50,000	-	-	100,000	-
Patagonia Holdings Corp.	150,000	100,000	100,000	-	150,000	-
Ellimac Prime Holdings, Inc.	150,000	50,000		-	200,000	-
Fertuna Holdings Corp.	150,000	50,000	50,000	-	150,000	-
Pure Petroleum Corporation	150,000	50,000	-	-	200,000	-
Montosco, Inc.	-	100,000	-	-	100,000	-
Meritus Pirme Distributions, Inc.	-	50,000	-	-	50,000	-
Premier Wine and Spirits, Inc.	100,000	-	-	-	100,000	-
Trade and other receivables						
Puregold Price Club, Inc.	462,555	209,985	-	-	672,540	-
Meritus Prime Distributions, Inc.	29,100	-	29,100	-	-	-
Montosco, Inc.	67,900	-	67,900	-	-	-
Premier Wine and Spiritis, Inc.	45,000	48,500	-	-	93,500	-
Nation Realty, Inc.	42,500	48,500	42,500	-	48,500	-
	P12,013,068	**P1,555,233**	**P1,344,119**	**P -**	**P8,794,966**	**P -**

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS - OTHER ASSETS

December 31, 2017

(Amounts in thousands pesos)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	P17,742,733	P186,653	P -	P -	P -	P17,930,386
Trademark	3,709,661	-	-	-	-	3,709,661
Customer relationships	889,453	-	-	-	-	889,453
Computer software and licenses-net	194,252	30,352	35,989	-	-	188,615
Leasehold rights	62,417	-	3,768	-	-	58,649
	P22,598,516	**P217,005**	**P39,757**	**P -**	**P -**	**P22,776,764**

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE E: LONG-TERM DEBTS
December 31, 2017
(Amounts in thousands pesos)

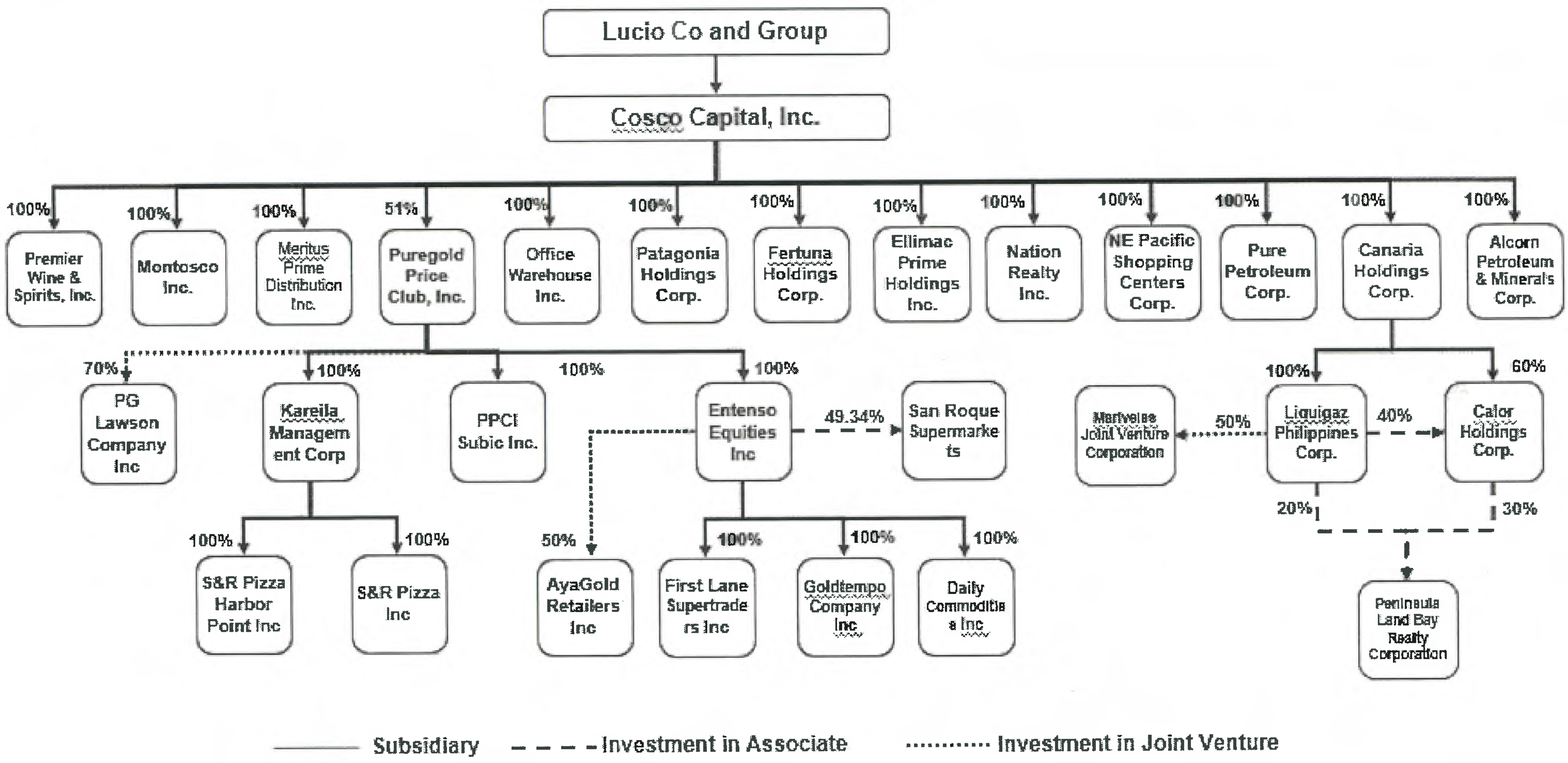
Agent	Type	Total Outstanding Balance	Current portion	Noncurrent portion
- Land Bank of the Philippines - Rizal Commercial Banking Corporation - Maybank Philippines, Inc. - Robinsons Bank Corporation - Security Bank Corporation - United Coconut Planters Bank	Fixed-rate peso-denominated corporate notes of 5.2667%	P3,862,264	P34,908	P3,827,356
- The Insular Life Assurance Company, Ltd. - Security Bank Corporation	Fixed-rate peso-denominated corporate notes of 5.579%	964,143	9,289	954,854
- Metropolitan Bank & Trust Company	Fixed-rate peso-denominated loan of 3.50%	1,999,205	1,999,205	-
- Metropolitan Bank & Trust Company	Fixed-rate peso-denominated loan of 3.50%	400,000	400,000	-
		P7,225,612	**P2,443,402**	**P4,782,209**

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE H: CAPITAL STOCK
December 31, 2017

Title of Issue	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	Directors, officers and employees	Others
COMMON SHARES - P1 par value	10,000,000,000	Issued - 7,405,263,564 Outstanding - 7,117,182,274	-	722,738,523	4,683,448,973	1,955,223,768

[1] On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2017 and 2016, Cosco Capital, Inc. renewed its program to buy back its shares for another year. Of the total shares sold to the public, 288,081,290 common shares were reacquired by the Group as at December 31, 2017.

SCHEDULE I: CONGLOMERATE MAP



COSCO CAPITAL INC. AND SUBSIDIARIES
Schedule J
List of Philippine Financial Reporting Standards
December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		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			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2017**		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✔
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	✔		
	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			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✔
PFRS 8	Operating Segments	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✔		
PFRS 9	Financial Instruments (2014)		✔	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✔
PFRS 10	Consolidated Financial Statements	✔		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✔
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	✔		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✔		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✔
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✔		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard			✔
PFRS 13	Fair Value Measurement	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✔		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✔
PFRS 14	Regulatory Deferral Accounts			
PFRS 15	Revenue from Contracts with Customers		✔	
PFRS 16	Leases		✔	
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	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✔		
	Amendments to PAS 1: Disclosure Initiative	✔		
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
	Amendments to PAS 7: Disclosure Initiative	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 11	Construction Contracts			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✔		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✔		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✔		
PAS 16	Property, Plant and Equipment	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✔
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✔
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19 (Amended)	Employee Benefits	✔		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✔
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	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27 (Amended)	Separate Financial Statements	✔		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✔
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✔
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✔		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			✔
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
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	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
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 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			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2017**		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✔		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✔
	Amendments to PAS 40: Transfers of Investment Property		✔	
PAS 41	Agriculture			✔
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
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 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	*Interim Financial Reporting and Impairment*			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes	✔		
IFRIC 14	PAS 19 - 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			✔
IFRIC 21	Levies			✔
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✔
IFRIC 23	Uncertainty over Income Tax Treatments			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives			✔
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			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✔
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✔
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✔
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	✔		✔
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	✔		✔
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✔
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✔
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017	✔		✔
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✔
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures	✔		
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder			✔
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			✔
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✔
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✔
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✔
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees			✔
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property	✔		
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✔
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✔
PIC Q&A 2018-01	Voluntary changes in accounting policy			✔
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test		✔	
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✔
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✔
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease		✔	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied		✔	
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements		✔	
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business		✔	
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items		✔	
PIC Q&A 2018-10	Scope of disclosure of inventory write-down		✔	

Legend:

Adopted - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

Not Adopted - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

Not Applicable - means the standard or interpretation is not relevant at all to the operations of the entity.

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE K: FINANCIAL SOUNDNESS INDICATOR
December 31, 2017

Ratio	December 31, 2017	December 31, 2016	Formula
Current ratio	1.97	2.14	Current assets / Current liabilities
Quick ratio	0.63	0.64	Cash and cash equivalents / Current liabilities
Debt-to-equity ratio	0.16	0.18	Interest bearing loans and borrowings and bonds payable / Total stockholders' equity
Debt-to-asset ratio	0.11	0.12	Interest bearing loans and borrowings and bonds payable / Total assets
Asset-to-equity ratio	1.42	1.43	Total assets / Total stockholders' equity
Interest rate coverage ratio	22.47	17.53	Earnings before income tax and interest expense / Interest payments
Net profit margin	5.37%	5.78%	Net income / Total revenues
Return on asset	0.07	0.07	Net profit / Average total assets
Return on equity	0.09	0.10	Net profit attributable to the company's shareholders / Average stockholders' equity attributable to the company's shareholders
Earnings per share	0.69	0.66	Net profit attributable to the company's shareholders / Weighted average number of common shares

COSCO CAPITAL, INC.
900 Romualdez Street, Paco Manila

Schedule L
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
(Amounts in thousands pesos)

	(Figures based on functional currency audited financial statements as at and for the year ended December 31, 2017)
Unappropriated retained earnings, beginning	**P547,772**
Adjustments in previous year's reconciliation	**(245,721)**
Unappropriated retained earnings, as adjusted, beginning	**302,051**
Net income based on the face of audited financial statements	**949,911**
Less: Non-actual/unrealized income, net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred tax benefit	
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actual/realized	**949,911**
Add (Less):	
Dividend declarations during the year	**(736,141)**
Appropriations of Retained Earnings during the year	-
Release of appropriations during the year	-
Effects of prior period adjustments	-
Treasury shares	**(345,949)**
	(1,082,090)
Unappropriated retained earnings, as adjusted, ending	**P169,872**

SUMMARY OF SEC 17- C REPORTS

ANNEX "D"

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

Date of Report	Date Filed with SEC
March 7, 2017	**March 10, 2017**

In Compliance with the SEC Memorandum Circular No. 20 Series of 2013, we submit the certificate of Attendance of the Directors and Key Officers of Cosco Capital, Inc.

1. Lucio L. Co – Chairman
2. Leonardo B. Dayao – President
3. Robert Y. Cokeng – Independent Director
4. Levi B. Labra – Director
5. Jose S. Santos, Jr. – Corporate Secretary
6. Candy H. Dacanay-Datuon – Assistant Corporate Secretary & Compliance Officer
7. Teodoro A. Polinga – Comptroller
8. Jose Paulino Santamarina – Chairman and President, Premier Wine and Spirits, Inc.
9. Iraida B. De Guzman – President, Office Warehouse, Inc.
10. Mary S. Demetillo – Chief Financial Officer, Premier Wine and Spirits, Inc.
11. Girlie M. Sy – President, Nation Realty, Inc.
12. Maricel E. Mariano – Finance and Admin Manager
13. Emerlinda Llamado – Internal Auditor
14. Herbert M. Lanip – Accounting Manager, Real Estate
15. Imelda Lacap – Accounting Manager, Montosco
16. Jannelle O. Uy – General Manager, Montosco, Inc.
17. Ana Katrina Dapo – Internal Auditor
18. Regina June Chua – Treasurer, Montosco, Inc.

April 3, 2017	**April 7, 2017**

Result of Board Meeting dated March 31, 2017

Approval of Consolidated Financial Statements of the Company for 2016.

The Annual Report and Audited Financial Statements of the Company will be released on or before April 15, 2017.

April 3, 2017	**April 7, 2017**

Cosco Capital, Inc. will hold a Joint Analyst's Briefing and Investors Call on April 7, 2017 at 7:00 PM (Manila Time).

April 6, 2017	April 10, 2017

Press Release of Cosco Capital, Inc. entitled "Cosco net income up 7% to Php 7.5 billion"

Cosco Net Income up 7% to PHP 7.5 billion

April 7, 2017, Manila, Philippines – Cosco Capital, Inc., the retail holding firm of Mr. Lucio L. Co, reported a 10.7% growth in consolidated revenues to PHP 129.2 billion and consolidated net income growth of 7% to PHP7.5 billion during the full year 2016.

Net Income attributable to equity holders of the parent company grew by 5.42% to PHP4.73billion. The group's grocery retailing businesses, Puregold Price Club, Inc. and S&R Membership Shopping Club, contributed 59% of total profits, followed by the Commercial Real Estate segment with 22% and the Liquor Distribution with 16%. The group's Specialty Retailing segment, composed of Liquigaz Philippines Corporation ("Liquigaz") and Office Warehouse, Inc., accounted for 7% of net profit.

"We are pleased to announce our full year 2016 financial results. Our strength in retailing shows through the continued growth in our grocery, liquor, and office supplies and technology products retail businesses. Despite challenges in the LPG space, we believe that 2017 would be a better year for Liquigaz. Cosco Capital is continuously investing in our subsidiaries to support its growth momentum, in addition to actively seeking for new strategic business opportunities in the retailing space." said Cosco Capital, Inc. President, Mr. Leonardo B. Dayao.

On a per segment basis, the Group's grocery retail segment grew its Consolidated Revenues by 15.9% to PHP112.6 billion, while Consolidated net income increased by 10.5% to PHP5.53 billion. As of year-end 2016, the Grocery Retailing segment is operating a total of 329 stores nationwide.

Liquor Distribution's Revenues increased by 4% to PHP5.9 billion on the back of an 18% increase in volume of cases sold during the year.

Office Warehouse, Inc.'s revenues grew by 18% to PHP1.54 billion and is operating a total of 71 retail outlets. Liquigaz revenues declined by 24.7% to PHP8.93 billion mainly due to the decline in global LPG prices during the year.

The group's Commercial Real Estate segment posted a 4% decline in revenues to PHP 2.33 billion and net income remained flat at PHP1.02 billion in 2016.

April 7, 2017 **April 19, 2017**

Presentation for Investor's Briefing Teleconference to be held on April 7, 2017.

May 8, 2017 **May 8, 2017**

Cosco Capital, Inc. will hold an investor briefing teleconference for its 1Q 2017 Results on May 12, 2017 (Friday) at 4:00 PM Manila Time.

May 8, 2017 **May 8, 2017**

Result of Board Meeting dated May 5, 2017, the Board of Directors of Cosco Capital, Inc. has approved the Consolidated Financial Performance of the Company for the 1st Quarter of 2017. The Quarterly Report will be released on or before May 12, 2017.

May 12, 2017 **May 12, 2017**

Press Release

Cosco Net Income up 8% to PHP 1.8 billion

May 12, 2017, Manila, Philippines – Cosco Capital, Inc., the retail holding firm of Mr. Lucio L. Co, reported a 12.3% growth in consolidated revenues to PHP 32.3 billion and consolidated net income growth of 8% to PHP1.8 billion during the first quarter of 2017.

Net Income attributable to equity holders of the parent company grew by 6.5% to PHP1.15billion. The group's grocery retailing businesses, Puregold Price Club, Inc. and S&R Membership Shopping Club, contributed 56% of total profits, followed by the Commercial Real Estate segment with 22% and the Liquor Distribution with 12%. The group's Specialty Retailing segment, composed of Liquigaz Philippines Corporation ("Liquigaz") and Office Warehouse, Inc., accounted for 9% of net profit.

"Our first quarter results signal a good start for the year. We are hopeful that this positive trend will continue throughout 2017." said Cosco Capital, Inc. President, Mr. Leonardo B. Dayao.

The Group's grocery retail segment, Puregold Price Club, Inc. and S&R Membership Shopping Club, grew its Consolidated Revenues by 11.2% to PHP27.5 billion, while Consolidated net income increased by 10.5% to PHP1.28 billion. The group opened a total of 6 new Puregold stores and 1 new QSR during the first quarter. The group targets to open 25 new Puregold stores and 2 new S&R warehouses this year.

The Liquor Distribution business posted a 4% growth in revenues to PHP1.17 billion, on the back of a 29% increase in volume of cases sold during the first quarter. The company's in-house brand, Alfonso brandy, continued to show impressive volume growth which more than compensated for the expected lower sales volume from the transitioning of a major brand during the first quarter of 2016.

For the specialty retailing businesses, Liquigaz revenues increased by 33% to PHP3 billion mainly driven by the gradual recovery in global LPG prices during the period. With its renewed focus in the downstream market, the company was able to increase its retail volume by 15% year-on-year from higher sales from its commercial and industrial accounts.

Office Warehouse, Inc.'s revenues grew by 18% to PHP440 million and is operating a total of 72 retail outlets. The company plans to add 10 new stores this year in order to cater to the growing demand for office, school, and technology products in the country.

The group's Commercial Real Estate segment posted a slight decline of 4% in revenues to PHP552million, while net income increased by 8.9% to PHP256 million due to controlled operating expenses during the period.

May 12, 2017 **May 12, 2017**

Company Presentation for Investor's Briefing Teleconference to be held on May 12, 2017.

June 8, 2017 **June 8, 2017**

Nominees for the election of Directors of Cosco Capital, Inc. as recommended by the Nomination Committee and approved by the Board of Directors.

Regular Directors:
Lucio L. Co
Susan P. Co
Leonardo B. Dayao
Eduardo F. Hernandez
Levi B. Labra
Roberto Juanchito T. Dispo

Independent Directors
Robert Y. Cokeng
Oscar S. Reyes
Bienvenido E. Laguesma

July 3, 2017 **July 4, 2017**

Result of Annual Stockholders Meeting and Organizational Meeting
A. Result of Annual Stockholders Meeting

On June 30, 2017 meeting of Cosco Capital, Inc. held at the Acacia Hotel, Alabang, Muntinlupa City, stockholders holding a total of 6,614,958,513 common shares or 90% of the total outstanding shares of the Company approved the following items in the agenda:

1. Call to Order

2. Approval of Minutes of the previous meeting and ratification of all acts of the management since the last stockholders meeting
3. Annual Report
4. Election of Lucio Co
5. Election of Susan Co
6. Election of Leonardo B. Dayao
7. Election of Eduardo Hernandez
8. Election of Levi Labra
9. Election of Roberto Juanchito T. Dispo
10. Election of Robert Cokeng as Independent Director
11. Election of Oscar Reyes as Independent Director
12. Election of Bienvenido Laguesma as Independent Director
13. Re-appointment of R.G. Manabat & Company as External Auditor for the year 2017
14. Other Matters
15. Adjournment

No other matter was discussed during the meeting aside from items 1 to 15 above.
All directors attended the stockholders meeting.

Please see below the tally of votes:

Resolution	For	Against	Abstain
1. Call to order	929,630,317	0	279,140,900
2. Approval of Minutes of previous stockholders meeting and ratification of all management acts	929,630,317	0	279,140,900
3. Annual Report	923,474,717	0	285,296,500
4. Election of Lucio L. Co	799,711,085	129,919,232	279,140,900
5. Election of Susan P. Co	878,183,795	51,446,522	279,140,900
6. Election of Leonardo B. Dayao	817,389,707	112,240,610	279,140,900
7. Election of Eduardo Hernandez	847,200,995	82,429,322	279,140,900
8. Election of Levi Labra	786,372,207	143,258,110	279,140,900
9. Election of Roberto Juanchito T. Dispo	877,042,317	52,588,000	279,140,900
10. Election of Oscar Reyes (ID)	880,657,895	48,972,422	279,140,900
11. Election of Robert Cokeng (ID)	910,535,517	19,094,800	279,140,900
12. Election of Bienvenido Laguesma (ID)	926,670,417	2,959,900	279,140,900
13. Re-Appointment of External Auditor	929,630,317	0	279,140,900
14. Other Matters	471,953,687	456,864,830	279,952,700
15. Adjournment	918,546,417	11,083,900	279,140,900

B. Result of Organizational Meeting

The following officers were elected and appointed during the organizational meeting of the Board of Directors:

Chairman	Lucio L. Co
Vice-Chairman	Susan P. Co
President	Leonardo B. Dayao
Treasurer	Susan P. Co
Corporate Secretary	Atty. Jose S. Santos, Jr.
Asst. Corp. Sec. & Compliance Officer	Atty. Candy H. Dacanay-Datuon
Internal Audit & Risk Officer	Emerlinda Llamado
Comptroller	Teodoro Polinga

Lead Independent Director	Robert Cokeng

The Board approved the following committees:

1. Audit Committee – It will function as Audit Committee and assume the functions of Risk Oversight Committee and Related Party Transactions Committee.

Chairman	Robert Cokeng (independent)
Members	Oscar Reyes (independent)
	Atty. Bienvenido Laguesma (independent)
	Leonardo B. Dayao (executive)
	Susan P. Co (executive)

2. Corporate Governance Committee – It will function as Corporate Governance Committee and assume the functions of the Nominations Committee and Compensation Committee.

Chairman	Oscar Reyes (independent)
Members	Robert Cokeng (independent)
	Atty. Bienvenido Laguesma (independent)
	Leonardo B. Dayao (executive)
	Lucio Co (executive)

C. Approval of the Code of Corporate Governance

The Board, upon a motion duly seconded, issued the following resolution:

> "Resolved, that the Code of Corporate Governance of Cosco Capital, Inc. dated May 26, 2017 signed by the Chairman and Compliance Officers is hereby approved."

August 7, 2017 **August 8, 2017**

Notice of Investor Briefing First Half 2017 Result

Cosco Capital, Inc. will hold an investor briefing teleconference for its First Half 2017 Results on August 15, 2017 (Tuesday) at 4:00PM, Manila Time.

August 15, 2017 **August 16, 2017**

Company Presentation for Investor's Briefing Teleconference to be held on August 15, 2017,4:00PM.

August 15, 2017 **August 16, 2017**

Press Release

Cosco Net Income up 7% to PHP 3.45 billion in the 1st half 2017

August 15, 2017, Manila, Philippines – Cosco Capital, Inc., the retail holding firm of Mr. Lucio L. Co, reported a 11.3% growth in consolidated revenues to PHP 66.1 billion and consolidated net income growth of 7% to PHP3.45 billion during the first half of 2017.

Net Income attributable to equity holders of the parent company grew by 5.3% to PHP2.2billion. The group's grocery retailing businesses, Puregold Price Club, Inc. and S&R Membership Shopping Club, contributed 57% of total profits, followed by the Commercial Real Estate segment with 24% and the Liquor Distribution with 12%. The group's Specialty Retailing segment, composed of Liquigaz Philippines Corporation ("Liquigaz") and Office Warehouse, Inc., accounted for 12% of net profit.

"All of our subsidiaries continue to generate positive and sustainable returns for our company. We look forward to the coming years as each subsidiary continues to expand and develop new markets for its products and services." said Cosco Capital, Inc. President, Mr. Leonardo B. Dayao.

The Group's grocery retail segment, Puregold Price Club, Inc. and S&R Membership Shopping Club, grew its Consolidated Revenues by 10.8% to PHP56.6 billion, while Consolidated net income increased by 9.8% to PHP2.5 billion. The group opened a total of 11 new Puregold stores and 5 new QSR during the first half.

The Liquor Distribution business posted a 5.3% growth in revenues to PHP2.5 billion, on the back of a 22% increase in volume of cases sold during the first half.

For the Specialty Retailing business segment, Liquigaz Philippines Corporation posted a 27% increase in revenues to PHP6 billion mainly driven by the gradual recovery in global LPG prices during the period. While Office Warehouse, Inc.'s revenues grew by 18.6% to PHP879 million and is operating a total of 73 retail outlets. The company plans to add 10 new stores this year in order to cater to the growing demand for office, school, and technology products in the country.

The group's Commercial Real Estate segment posted PHP1.1 billion in total revenues, and an increase in net income of 6.9% to PHP532 million during the period.

August 15, 2017 **August 16, 2017**

Result of Board Meeting dated August 14, 2017

On August 14, 2017, the Board of Directors of Cosco Capital, Inc. has approved the Consolidated Financial Performance of the Company for the 2nd Quarter of 2017.

November 3, 2017 **November 6, 2017**

Notice of Investor Briefing 9M 2017 Results

Cosco Capital, Inc. will hold an investor briefing teleconference for its 9M 2017 Results on November 17, 2017 (Friday) at 4:00PM, Manila Time.

November 16, 2017 **November 16, 2017**

Result of Board Meeting dated November 10, 2017

On November 10, 2017, the Board of Directors of Cosco Capital, Inc. has approved the Consolidated Financial Performance of the Company for the 3rd Quarter of 2017.

November 16, 2017 **November 16, 2017**

Press Release

Cosco Capital nets PHP 6.4 billion, up 6.2% in 9M2017

November 16, 2017, Manila, Philippines – Cosco Capital, Inc., the retail holding form of Mr. Lucio L. Co, reported a consolidated net income growth of 6.2% to PHO5.4 billion during the forst 9 months of 2017, driven by the much improved net income contribution of its liquefied petroleum gas business.

Net income attributable to equity holders of the parent company grew by 5.6% tp PHP3.42 billion. The group's grocery retailing businesses, Puregold Price Club, Inc. and S&R Membership Shopping Club, contributed 58% of total profits, followed by the Commercial Real Estate segment with 23% and the Liquor Distribution with 12%. The group's Specialty Retailing segment, composed of Liquigaz Philippines Corporation ("Liquigaz") and Office Warehouse, Inc. accounted for 12% of net profit.

"We are pleased with our financial and operational results for the first 9 months of the year. Our subsidiaries are continuously generating positive returns. We remain optimistic that 2017 will be a banner year for Cosco Capital on the back of a strong economy and robust consumption of the Filipino household. "said Cosco Capital, Inc. President, Mr. Leonardo B. Dayao.

The group's grocery retail segment, Puregold Price Club, Inc. and S&R Membership Shopping Club, grew its Consolidated Revenues by 11.2% to PHP87.6 billion, while Consolidated net income increased by 7% to PHP3.9 billion. The group opened a total of 17 new Puregold stores, 1 new S&R membership club and 8 new QSR during the 9-month period.

The liquor Distribution business posted a 9.7% growth in revenues to PHP4.07 billion, on the back of a 17% increase in volume of cases sold during the period.

For the Specialty Retailing business segment, Liquigaz Philippines Corporation generated robust earnings with a 33.6% increase in revenues to PHP9 billion mainly driven by increase in sales volume and the gradual recovery in global LPG prices during the period, while Net Income after tax likewise increased by 27.5% to PHP391 million. Office Warehouse, Inc.'s revenues grew by 19.4% to PHP1.4 billion and added 9 new stores during the 9-month period is operating a total of 77 retail outlets.

The group's Commercial Real Estate segment posted PHP1.7 billion in total revenues, and an increase in net income of 3% to PHP801 million during the first 9 months.

November 17, 2017 **November 20, 2017**

Company Presentation for Investor's Briefing Teleconference to be held on November 17, 2017, 4:00PM.

November 23, 2017 **November 24, 2017**

Bought back of a total of 150,000 shares

November 24, 2017 **November 27, 2017**

Bought back of a total of 50,000 shares

November 27, 2017 **November 29, 2017**

Bought back of a total of 100,000 shares

November 28, 2017 **December 1, 2017**

Bought back of a total of 200,000 shares

December 12, 2017 **December 13, 2017**

Bought back of a total of 250,000 shares

December 14, 2017 **December 18, 2017**

Bought back of a total of 250,000 shares

December 15, 2017 **December 18, 2017**

Bought back of a total of 11,997,700 shares

December 18, 2017 **December 18, 2017**

Result of the Board of Directors dated December 15, 2017

Listed below are the items approved by the Board of Directors of Cosco Capital, Inc. in a meeting held on December 15, 2017:

1. Audit Plan
2. Renewal of buy back program
3. Declaration of Cash Dividend :

   Regular Cash Dividend: P0.06 per share
   Special Cash Dividend: P0.04 per share
   Record date: January 2, 2018
   Payment date: January 26, 2018

December 18, 2017 **December 20, 2017**

Bought back of a total of 1,000,000 shares

December 19, 2017 **December 20, 2017**

Buy Back program

Additional information regarding the renewal of buy back program of Cosco Capital, Inc. as requested by the Exchange in its letter dated December 18, 2017:

1. Reason for the renewal of the buy back program

   Cosco Capital, Inc. renews the program to buy back its shares from the market because currently the shares are undervalued and the Company believes it will enhance shareholder's value.

2. Sources of funds

   The Company will use internal funds to pay the buy back

3. Estimated number of Cosco shares to be repurchased with the corresponding percentage to the Company's total outstanding shares

   Up to 100 million shares of Cosco Capital, more or less, or maximum of P1,000,000,000.00 corresponding to about 1.9% of Cosco's outstanding shares.

4. Timetable for the effectivity of the program

   From December 15, 2017 to December 14, 2018.

5. Latest information on the following as of date hereof:

   Issued shares – 7,405,263,564 common shares
   Outstanding Shares – 7,361,411,264 common shares
   Listed Shares – 7,406,263,564 common shares
   Treasury Shares – 43,852,300 common shares

6. Any other relevant information:

   None