cosco capital
incorporated

June 15, 2017

Securities and Exchange Commission
PICC Grounds, Pasay City

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

Gentlemen:

In reply to your letter dated June 13, 2017, please see table below:

Remarks	Reply: please see page
Place of Meeting	Page 4
Foreign Ownership	Page 5
Cut-off date for the Security Ownership	Page 5
Certification	Please see attached Certification
Identify Chairman and Members of the Audit and Nomination Committee	Page 11
Undertaking to send SEC-17A	Page 19

We hope we have properly complied with your checklist requirements.

Thank you,

Atty. Candy H. Dacanay-Datuon
Assistant Corporate Secretary

COVER SHEET

0 0 0 0 1 4 7 6 6 9

SEC Registration Number

COSCO CAPITAL, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,
MANILA

yyyy

CANDY H. DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

1 2 3 1

Month **Day**

SEC FORM 20-IS

(Form Type)

0 6 3 0

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 20-IS

Information Statement Pursuant to Section 20 of the

SECURITIES AND REGULATION CODE

1. ( ) Preliminary Information Statement
   (/) Definitive Information Statement

2. **COSCO CAPITAL, INC.**
   Name of Registrant as specified in its Charter

3. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. **147669**
   SEC Identification Number

5. **000-432-378-000**
   BIR Tax Identification Code

6. **No. 900 Romualdez St., Paco, Manila** **1007**
   Address of principal office Postal Code

7. **(632) 523-3055 | 522-8801**
   Registrant's Telephone Number

8. **June 30, 2017, 9 AM, at the Acacia Hotel, Alabang, Muntinlupa City**
   Date, time and place of the meeting of the security holders

9. **June 9, 2017**
   Approximate date on which the Information Statement is first to be sent or given to security holders

10. **Lucio L. Co, Chairman, or Leonardo B. Dayao, President, No. 900 Romualdez St., Paco, Manila, (632) 523-3055 or 522-8801**
    In case of proxy solicitations, name of person filing the statement or solicitor, address and telephone number

11. **Outstanding common shares – 7,375,408,964 outstanding shares / 29,854,600 treasury shares**
    Securities registered pursuant to Section 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrant)

12. Are any or all registrant's securities listed in a Stock Exchange? Yes.

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MARKET REGULATION DEPT.
BY:

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the **ANNUAL STOCKHOLDERS' MEETING OF COSCO CAPITAL, INC.** will be held on **JUNE 30, 2017, 9:00 AM**, at the Acacia Hotel, Alabang, Muntinlupa City with the following agenda:

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 from the date of the previous Stockholders' Meeting
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

Stockholders of record as of the close of business on June 7, 2017 are entitled to notice of, and to vote at such meeting. The stock and transfer book of the company will be closed from June 16, 2017 to June 30, 2017.

If you do not expect to attend the meeting, you may execute and return the Proxy Form to the Office of the Corporate Secretary of the Company at No. 900 Romualdez St., Paco, Manila, 1007. The deadline for submission of proxies is on June 27, 2016.

The Company shall provide without charge to each stockholder a copy of the Information Statement (SEC 17-IS) upon written request of such person addressed to the office of the undersigned.

On the day of the meeting, you or your duly designated proxy are hereby required to bring this Notice and any form of identification such as driver's license, passport, company I.D., voter's I.D., or TIN Card to facilitate registration. Registration shall start at 8:00 a.m. and will close at 8:45 a.m.

Manila, Philippines.

ATTY. JOSE S. SANTOS, JR.
Corporate Secretary

Explanation of Agenda Items For Stockholders' Approval

1. Call to Order and Certification of Service of Notice and Existence of Quorum

   The Corporate Secretary will certify that the notice of the annual stockholders' meeting was sent to all stockholders of record and she will also certify that there is a quorum for the transaction of business by determining the number of stockholders present, by person or proxy, in the meeting. The Chairman will, thereafter, call the meeting to order.

2. Approval of Minutes of 2016 Stockholders' Meeting

   The Minutes of the previous stockholders' meeting and summary of all acts and resolutions of the Board of Directors and Management from the date of the previous stockholders' meeting will be presented for ratification of the stockholders.

   The copy of the minutes of the previous stockholders' meeting and summary of all acts and resolutions of the Board of Directors and Management will be attached to the Information Statement.

3. Annual Report

   The Audited Financial Statements (AFS) of the Company ending December 31, 2016 will be presented to the stockholders during the meeting. The AFS was submitted to the Securities and Exchange Commission on April 7, 2017. It will be presented to the stockholders for approval.

4. Election of Regular and Independent Directors

   The qualification of nominees for regular and independent directors have been duly reviewed by the Nominations Committee. Upon the Committee's recommendation, the Board approved the nomination of the candidates to the election of the Board of Directors.

5. Appointment of External Auditor

   The Audit Committee and the Board of Directors will endorse the re-appointment of R.G. Manabat & Company as external auditor of the Company for the year 2017.

6. Other matters

   The Chairman will open the floor for any question, clarification or suggestion from the stockholders.

Part 1: Information required in the Information Statement

A: General Information

Item 1: Date, Time and Place of Meeting

A.	Date	: June 30, 2017
	Time	: 9 AM
	Place	: Sequioa Ballroom, 16th Floor, Acacia Hotel, Alabang, Muntinlupa City
	Principal Office	: No. 900 Romualdez St., Paco, Manila

B. This Information Statement and the accompanying Proxy forms will be first sent to the stockholders on or before June 9, 2017 in accordance with the Company's By Laws and the Securities and Regulation Code.

Item 2: Dissenter's Right of Appraisal

There are no matters or proposed actions in the Agenda that may give rise to a possible exercise by the shareholders of their appraisal right as provided under Title X of the Corporation Code of the Philippines.

Item 3: Interest of Certain Persons in or Opposition to Matters to be acted upon

(A) No current director or officer nor any associate thereof of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon other than election of directors.

(B) No director of the Company has given information in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. Control and Compensation Information

Item 4: Voting Securities and Principals thereof

A. Outstanding shares of the Company as of record date: 7,375,408,964 common shares. Each share is entitled to one vote.

B. All stockholders as of record date, June 7, 2017, are entitled to notice of, and to vote at, the stockholders meeting.

C. Election of directors shall be held at the Annual Stockholders' Meeting on the date and place as herein stated. It shall be done by majority of stock represented in the meeting, and shall be conducted in the manner provided by Section 24 of the Corporation Code of the Philippines, and with such formalities and in such manner as the presiding officer at the meeting shall then and there determine and provide.

   Stockholders entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; *provided*, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected. Discretionary authority to cumulate vote is not solicited.

D. (1) Security Holders of more than 5% as of May 31, 2017:

Title of class: Common share

Name, address of record owner and relationship with issuer	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	Percentage
Lucio L. Co No. 22 Pili Avenue, Makati City Major stockholder of the issuer	Direct and indirect ownership; indirectly owned shares are with brokers - Strategic Equities, Inc. and Ansaldo Godinez	Filipino	Direct Shares: 2,243,102,692 Indirect Shares: 78,466,200 Total: 2,321,568,892	31%
Susan P. Co No. 22 Pili Avenue, Makati City Major stockholder of the issuer	Direct ownership and indirect ownership; indirectly owned shares are with broker - Ansaldo Godinez	Filipino	Direct Shares: 1,760,182,230 Indirect Shares: 20,000,000 Total: 1,780,182,230	24%

Level of foreign ownership as of May 31, 2017:

Local shares	6,051,744,670	81.72%
Foreign shares	1,323,664,294	17.88%
Treasury shares	29,854,600	0.40%
Outstanding shares	7,375,408,964	99.60%
Issued shares	7,405,263,564	100%

(2) Security Ownership of Management as of May 31, 2017:

Title of Class	Name of beneficial owner	Amount and nature of beneficial ownership	Citizenship	Percentage
Common share	Lucio L. Co, Director and Chairman	Direct Shares: 2,243,102,692 Indirect Shares (under Broker's name): 78,466,200 Total: 2,321,568,892	Filipino	31%
Common share	Leonardo B. Dayao, Director and President	650,982 direct shares	Filipino	0.00%
Common share	Susan P. Co, Director	Direct Shares: 1,760,182,230 Indirect Shares (under Broker's name): 20,000,000 Total: 1,780,182,230	Filipino	24.00%
Common share	Atty. Eduardo F. Hernandez, Director	120,000 direct shares	Filipino	0.00%
Common share	Levi B. Labra, Director	100 direct shares	Filipino	0.00%
Common share	Robert Y. Cokeng, Independent Director	8,155,000 indirect shares; all lodged with broker	Filipino	0.11%
Common share	Oscar S. Reyes, Independent Director	54,264 direct shares	Filipino	0.00%

(3) 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.

(4) To the extent known to the Company, there is no arrangement which may result in control of the Company. There was no change in control of the Company since the beginning of its last fiscal year.

Item 5: Directors and Executive Officers

(A) There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All directors are elected during the annual meeting of stockholders for a term of one (1) year and until their successors are elected.

Executive officers are appointed or elected annually by the Board of Directors. Appointed or elected and qualified executive officers hold office until a successor is qualified and elected or appointed.

During the annual stockholders' meeting held on June 24, 2016, the following directors and officers were elected and appointed:

Name	Age	Position
Lucio L. Co	62	Chairman
Susan P. Co	59	Vice-Chairman
Leonardo B. Dayao	73	President
Levi B. Labra	59	Director
Eduardo F. Hernandez	87	Director
Robert Y. Cokeng	65	Independent Director
Oscar S. Reyes	71	Independent Director
Jose S. Santos, Jr	76	Corporate Secretary
Candy H. Dacanay-Datuon	38	Assistant Corporate Secretary and Compliance Officer

The profile of the incumbent directors and executive officers of the Company, indicating their respective business experiences for the past five (5) years are as follows:

Lucio L. Co, 62, Filipino, Chairman of the Board

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

He also serves as Chairman of Puregold Price Club, Inc. and Da Vinci Capital Holdings, Inc. (both publicly-listed companies).

He is also the Chairman of CHMI Hotels and Residences, Entenso Equities, Inc., Liquigaz Philippines Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., San Jose City I Power Corp., Union Energy Corporation, Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., and Alcorn Petroleum and Minerals Corporation. He is the Chairman and President of Union Equities, Inc., Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Forbes Corporation, Invescap Incorporated, P.G. Holdings, Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., PPCI Subic Inc., Pure Petroleum Corp. He is also Director of Philippine Bank of Communications (publicly-listed company), Catuiran Hydropower Corporation, Illido Management Corporation, Kareila Management Corporation, LCCK & Sons Realty, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Patagonia Holdings Corp. and Premier Wine and Spirits, Inc. He is a member of the Board of Trustees of Adamson University.

He has been an entrepreneur for the past 40 years.

Susan P. Co, 59, Filipino, Vice-Chairman

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

Mrs. Co is currently one of the Directors of Puregold Price Club, Inc. and Philippine Bank of Communications (both publicly-listed companies).

She also serves as Treasurer for the following companies: Alcorn Petroleum and Minerals Corporation, Bellagio Holdings, Inc., Luis Co Chi Kiat Foundation Luk Foo International Cuisine, Inc., NE Pacific Shopping Centers Corporation, Puregold Finance, Inc., PPCI Subic Inc., Union Energy Corporation and Union Equities, Inc. She is also Director of 118 Holdings, Inc., Blue Ocean Holdings, Inc., CHMI Hotels & Residences, Inc., Ellimac Prime Holdings, Inc., Forbes Corporation, Kareila Management Corporation, KMC Realty Corporation, Illido Management Corporation, League One, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Patagonia Holdings Corp., Puregold Duty Free (Subic), Inc., Premier Wine and Spirits, Inc., P.G. Holdings, Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., Pure Petroleum Corp. and San Jose City I Power Corp.

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

Leonardo B. Dayao, 73, Filipino, President

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

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, Filipino, Director

Atty. Eduardo F. Hernandez is one of the incorporators of the Company. He served as President of Alcorn Gold Resources 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 Labra, 59, Filipino, Director

Mr. Levi Labra has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

Mr. Labra was the former Director for Customer Business Development for Asia Pacific Region of Procter and Gamble Distributions, Inc. for 20 years. He was also assigned to establish the distributor operations of the Asia Pacific region of P&G during his tenure. He was with P&G for 35 years and involved himself in sales management, distributor operations, logistics, forecasting, organizational development and trade marketing.

He is a graduate of University of San Carlos with a Bachelor of Science in Business Administration.

Robert Y. Cokeng, 65, Filipino, Independent Director

Mr. Cokeng has been duly elected to hold office as Independent Director for one year and until his successor is elected and qualified.

He also serves as a director and/or officer in the following companies: Chairman, President and CEO – F&J Prince Holdings Corporation (PSE-Listed Company); President and CEO–Magellan Capital Holdings, Corp.; President and CEO–Magellan Utilities Dev't. Corp.; Chairman, President and CEO–Consolidated Tobacco Ind. of the Phils.; Chairman and President–Center Industrial and Investment, Inc.; Vice-Chairman–Pointwest Technologies Corp. and Pointwest Innovations Corp.; Chairman-Exec. Committee – Business Process Outsourcing International; Chairman–IPADS Developers, Inc. He was also the Senior Investment Officer and Philippine Country Officer of International Finance Corporation (World Bank Group) from 1976 to 1986. He worked on investments in East Asia from Washington D.C. Headquarters and from Regional Mission for East Asia located in Manila.

He graduated Magna Cum Laude in Ateneo de Manila University with degree of Bachelor of Arts Economics Honors Program. He also earned his Master in Business Administration in Harvard University with High Distinction and elected a Baker Scholar.

Oscar S. Reyes, 71, Filipino, Independent Director

Mr. Reyes has been duly elected to hold office as Independent Director for one year and until his successor is elected and qualified.

Mr. Reyes is the President, Chief Executive Officer and Director of Manila Electric Company. Mr. Reyes is a member of the Advisory Board of the Philippine Long Distance Telephone Company (PLDT) and of the Council of Advisors of the Bank of the Philippine Islands. He is an Independent Director of Manila Water Company, Inc., PLDT Communications and Energy Ventures Inc., Basic Energy Corporation, Pepsi Cola Products Philippines, Inc. (Chairman), Sun Life Financial Phils., Inc., and Petrolift Corporation, among other firms. He is also President of Meralco PowerGen Corporation and Chairman of Meralco Industrial Engineering Services Corporation (MIESCOR), CIS Bayad Center, Meralco Energy, Inc. (MEI), Redondo Peninsula Energy Inc., PacificLight Pte.Ltd., Spectrum Inc. and MRail, Inc. and Atimonan One Energy Inc.

He served as Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V.

He is a member of the Board of Trustees of One Meralco Foundation, Inc., Pilipinas Shell Foundation, Inc., SGV Foundation, Inc. and El Nido Foundation, Inc.

Mr. Reyes completed his Bachelor of Arts degree in Economics at the Ateneo de Manila University (Cum Laude) and did post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

Atty. Jose S. Santos, Jr., 76, 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, Much Prosperity Trading International Inc., and Willis International Sales Corporation. He has been a practicing lawyer since 1962.

Atty. Candy H. Dacanay-Datuon, 38, Filipino, Assistant Corporate Secretary

Atty. Dacanay-Datuon has been appointed the Compliance Officer and Assistant Corporate Secretary of the Company on November 25, 2011. Ms. Dacanay is a lawyer and a member of the Philippine Bar since 2004. She has been employed as counsel for the Company since 2004. 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.

Teodoro A. Polinga, 58 years old, Filipino, Comptroller

Mr. Polinga has been the Company's Comptroller since 2015. From February 2013 to October 2013, he served as the Senior Manager for Accounting of Puregold Price Club, Inc.

From October 2013 to June 2014, he was President & Director of MTM Ship Management (Philippines), Inc. He was a founding member and Executive Director of Alchem Energy Limited and Summit Minerals, PTE. LTD based in Singapore from 2010 to 2012. He used to work as Chief Finance Officer of Phoenix Petroleum Philippines from 2007 to 2008; Deputy CFO for PT Citramegah Karya Gemilang – Libya branch from 2008 to 2010; Had about seven (7) years experience in the petroleum retail industry with Citadel Commercial Group initially as Senior Vice President for Finance from 2001 to 2003 then Senior Vice-President for Business Development from 2003 to 2005 and finally promoted as Executive Vice President from 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 at SGV & Co. He took up a Management Development Program course in 1990 at the Asian Institute of Management.

(B) There is no director that resigned or declined to stand for election to the board of directors because of any disagreements with the Company on any matter relating to the Company's operations, policies or practices.

Upon recommendation by the Nomination Committee, the following persons were approved by the Board of Directors as nominees for the 2017 election of the Board of Directors:

1. Lucio L. Co as regular Director
2. Susan P. Co as regular Director
3. Leonardo B. Dayao as regular Director
4. Eduardo F. Hernandez as regular Director
5. Levi Labra as regular Director
6. Roberto Juanchito T. Dispo as regular Director
7. Oscar S. Reyes as Independent Director
8. Robert Y. Cokeng as Independent Director
9. Bienvenido E. Laguesma as Independent Director

The nominees were formally nominated to the Nomination Committee by Mr. Lucio L. Co and Mr. Leonardo B. Dayao. The nominees accepted their respective nominations. The nominees for independent directors are not related to the Company.

The Nomination Committee pre-screened the qualifications of the nominees and prepared the final list of nominees in accordance with SRC Rule 38 and the By-laws of the Company. Pursuant to Securities

Regulation Code (SRC) Sec. 38 and Rule 38.1, the Company is required to have at least three (3) independent directors. The Company's incumbent independent directors are Mr. Oscar S. Reyes and Mr. Robert Y. Cokeng.

The nominees for independent directors were screened in accordance with line with the guidelines on the nominations of independent directors prescribed by SRC Sec. 38 and Rule 38.1 as amended and the Manual on Corporate Governance of the Company. The candidates for independent directors have no relation whatsoever with the nominated directors nor are they employees or consultants of the Company or any of its affiliates. Reyes, Cokeng and Laguesma, all possessed the qualifications and none of the disqualifications of an independent director.

No further nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

The nominees are expected to attend the Annual Stockholders' Meeting.

Two new nominees were added to complete the nine seats in the Board of Directors. They are Mr. Dispo and Atty. Laguesma. For the information of the stockholders, presented below are their brief business profile:

Roberto Juanchito T. Dispo, 54, Filipino, Nominee for regular director (new)

Mr. Dispo is a seasoned investment banker with extensive experience in capital raising, investments, strategic acquisition, and asset management. He was the former President of Money Market Association of the Philippines and is currently the Chairman of Capital Markets Development Committee of FINEX. He also held positions in various Government offices including Department of National Defense, Department of Trade and Industry and Department of Finance.

Mr. Dispo holds a degree of Bachelor of Science in Economics and Business Management from San Sebastian College and Pamantasan ng Lungsod ng Maynila, respectively. He also completed Masters in Business Administration from Pamantasan ng Lungsod ng Maynila and Masters in Business Economics from the University of the Asia and the Pacific.

He also completed Management Development Program from the Asian Institute of Management and a diploma course in International Banking and Finance from the Economic Institute, University of Calorado.

Atty. Bienvenido E. Laguesma, 66, Filipino, Nominee for Independent Director (new)

Atty. Laguesma served the Philippine Government for 25 years holding various positions including that of Secretary of the Department of Labor and Employment and Presidential Assistant at the Office of the President of the Philippines.

He has been in the private practice of law for 15 years now being a Senior Partner at Laguesma Magsalin Consulta and Gastardo Law offices, former Director of First Metro Investment Corporation, former Commissioner of the Social Security System, Member of the Board of Regents of the Pamantasan ng Lungsod ng Maynila, and Member of the Integrated Bar of the Philippines and the Philippine Bar Association.

He served as Chairman of Charter Ping An Insurance Corporation from 2009 to 2016 and currently its Vice-Chairman.

Atty. Laguesma graduated from the Ateneo De Manila, College of Law, in 1975 and completed Bachelor of Arts degree in Political Science at the Lyceum of the Philippines in 1971.

(2) All employees, working together as one workforce, are considered significant in achieving the Company's vision and mission.

(3) The Company's current Chairman, Mr. Lucio L. Co, is the husband of Director Susan P. Co.

(4) To the best of Company's knowledge, there are no legal proceedings against the directors and executive officers of the Company within the categories described in SRC Rule 12, Part IV paragraph (A) (4) within the past five years and up to the latest date. Particularly, the Company is not aware of the following:

a. Any bankruptcy proceedings filed by or against any director or business of which a director, nominee for election as director or executive officer, or control person of the Company is a party or of which any of their property is subject.

b. Any director, nominee for election, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign.

c. Any director, nominee for election, or executive officer being subject of any judgment or decree not subsequently reversed, superseded or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement of a director, executive officer, or control person in any type of business, securities, commodities or banking activities.

d. Any director, nominee for election, or executive officer being found by a domestic or foreign court of competent jurisdiction (*in a civil action*), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic market place or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

(5) The members of the Nomination and Audit Committee are as follows:

	Audit Committee	Nomination Committee
Chairman	Robert Cokeng	Susan P. Co
Member	Susan P. Co	Eduardo Hernandez
Member	Leonardo B. Dayao	Levi Labra

(5) Certain relationships and related transactions

A summary of the Company's significant transaction and balances with related parties for the past three (3) years:

	2016	2015	2014
Intercompany leases	532,214,536.38	574,559,432.69	563,580,828.72
Liquor and wine distribution	1,559,312,469.41	1,102,670,073.95	1,123,765,087.34
Dividend income earned by Parent from Retail	742,719,550.12	973,103,355.00	623,260,180.00

(6) Cosco Capital, Inc. owns the following subsidiaries: 51% of Puregold Price Club, Inc. 100% of Premier Wine and Spirits, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Patagonia Holdings Corp., 118 Holdings, Inc., Fertuna Holdings Corporation, Pure Petroleum Corp., Ellimac Prime Holdings, Inc., Nation Realty, Inc., NE Shopping Centers Corporation, Office Warehouse, Inc., Alcorn Petroleum and Minerals Corporation, and Canaria Holdings Corporation.

Item 6. Compensation of Directors and Executive Officers.

A. 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 2015, 2016 and projected compensation for 2017:

Name and position	Year	Salary	Bonus/Other compensation
Lucio L. Co, Chairman			
Susan P. Co, Vice-Chairman			
Leonardo B. Dayao, President			
Andres Santos, Legal Counsel			
Wyomia Guevarra, HR Manager			
CEO and most highly compensated executive officers	2015 2016 2017	6,504,000.00 6,504,000.00 6,420,000.00	-
All other officers as group unnamed	2015 2016 2017	1,665,000.00 1,644,000.00 1,872,000.00	-

The total annual compensation includes salaries for all services rendered by the above officers to the Company.

Standard Arrangements.
Directors receive per diem of Fifty Thousand Pesos (₱50,000.00) per board and committee meeting.

Other Arrangements.
The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as above stated.

Employment Contracts and Termination of Employment and Change in Control Arrangements.
Executive officers are subject to existing Company's policies, rules, regulations and labor laws. Their employment may be terminated for just or authorized caused as provided by labor code.

The executive officers are entitled to receive benefits in accordance with the provisions of the Labor Code and other social legislation.

There is no arrangement with any executive officer to receive any compensation or benefit in case of change–in-control of the Company or change in the officer's responsibilities following such change-in-control.

Item 7: Independent Public Accountants

The External Auditor of the Company for the fiscal year 2016 was R.G. Manabat & Company (KPMG) headed by the partner-in-charge, Mr. Darwin P. Virocel. The same firm is being recommended for re-election at the stockholders' meeting.

Representatives of R.G. Manabat & Company are expected to be present at the stockholders' meeting and will be available to respond to appropriate inquiry from stockholders regarding the 2016 audited financial statements, if any. They will have the opportunity to make statement if they so desire.

There were no disagreements with RG Manabat & Company on any matter of accounting and/or financial disclosure. The Company is in compliance 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.

The Board of Directors approved the re-election of R.G. Manabat & Co., as recommended by the Audit Committee, as the company's external auditor for 2017 audit.

The Company, and its subsidiaries, paid Manabat and Sanagustin, KPMG, the total of Php7,900,500.00 as audit fee for the year 2015 and Php8,100,000.00 for the year 2016.

Item 8: Compensation Plans

No action is to be taken related to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

Item 9: Issuance and Exchange of Securities

No action is to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

Item 10: Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11: Financial and Other Information

The Audited Financial Statements as of December 31, 2016 meeting the requirements of SRC Rule 68, as amended and 68.1, the Statement of Management Responsibility and the Schedules and discussion required under Part IV or Rule 68 are hereto attached as Annex "A".

Item 12: Merger, Consolidation, Acquisition and similar matters

No action is to be taken with respect to any transaction involving merger, consolidation, acquisition of securities, sale or transfer of substantial part of the assets or liquidation of assets of the Company.

Item 13: Acquisition or Disposition of Property

No action is to be taken up in relation to acquisition or disposition of any property.

Item 14: Restatement of Accounts

The accounting policies set out in the attached audited financial statements have been applied consistently to all the years presented.

D. OTHER MATTERS

Item 15: Action with Respect to Reports

The following matters will be submitted for approval of the security holders:

1. Call to Order
2. Proof of notice and 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 from the date of the last Stockholders' Meeting
4. Message of the Chairman and the President and Presentation of the Audited Financial Statements as of December 31, 2016
5. Election of nine (9) directors inclusive of three (3) independent directors
6. Re-appointment of External Auditor
7. Other Matters
8. Adjournment

Item 16: Matters Not Required to be Submitted
No action is to be taken with respect to any matter, which is not required to be submitted to a vote of security holders.

Item 17: Amendment of Charter, By-Laws or other Documents
No action is to be taken with respect to amendment of charter or by-laws or other corporate documents.

Item 18: Other Proposed Action
No other proposed action is to be taken or to submitted to a vote of security holders.

Item 19: Voting Procedures
All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the affirmative majority vote of stockholders present in person or by proxy and entitled to vote thereat, provided a quorum is present.

For election of directors, a shareholder may vote such number of shares for as many persons as there are for directors to be elected. The shareholder may also cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares owned or the shareholder may distribute them on the same principle among as many candidates as they see fit.

Except in cases where voting by ballot is requested, voting and counting shall be by *viva voce*. If by ballot, each ballot shall be signed by the shareholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him. Such stockholder may or may not cumulate his votes. The counting thereof shall be supervised by the transfer agent, RCBC Trust, G/F West Wing Grepalife Building, 221 Sen. Gil Puyat Avenue, Makati City, telephone no. (632) 892-0426.

Additional Information:

Market Information

The table shows the stock prices of the company for the year 2015, 2016 and 1st Quarter of 2017.

2016	High	Low
January	8.26	7.04
February	7.47	7.19
March	7.76	7.20
April	8.63	7.36
May	7.68	7.58
June	8.03	7.68
July	8.19	7.68
August	9.30	8.08
September	8.55	8.15
October	8.52	8.10
November	8.84	8.20
December	8.83	8.28

2015	High	Low
January	8.96	8.48
February	9.72	8.86

March	9.72	8.98
April	8.78	8.06
May	8.38	7.72
June	7.98	7.57
July	7.75	7.51
August	7.46	6.50
September	6.97	6.73
October	7.66	6.75
November	7.68	7.38
December	8.46	7.54

2017	High	Low
January	9.23	8.53
February	9.28	8.91
March	8.90	8.48

Source: Daily Quotation Reports of the Philippine Stock Exchange.

Holders

There are approximately 1,001 registered holders of common shares as of May 31, 2017 owning at least 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 of May 31, 2017 are as follows:

Stockholder Name	Shares	%
LUCIO L. CO	2,321,568,892	31.48%
SUSAN P. CO	1,780,182,230	24.14%
THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT.	772,275,343	10.47%
ANSALDO, GODINEZ & CO., INC.	742,138,725	10.06%
ELLIMAC PRIME HOLDINGS, INC.	244,228,990	3.31%
VFC LAND RESOURCES, INC.	220,066,929	2.98%
FERDINAND VINCENT P. CO	209,557,122	2.84%
PAMELA JUSTINE P. CO	209,535,971	2.84%
STANDARD CHARTERED BANK	196,681,106	2.67%
DEUTSCHE BANK MANILA-CLIENTS A/C	187,306,924	2.54%
KMC REALTY CORPORATION	150,832,231	2.05%
CITIBANK N.A.	126,788,739	1.72%
CAMILLE CLARISSE P. CO	83,295,231	1.13%
SPC RESOURCES, INC.	58,500,000	0.79%
KING'S POWER SECURITIES, INC.	49,748,425	0.67%
STRATEGIC EQUITIES CORP.	47,020,790	0.64%
SB EQUITIES,INC.	45,001,358	0.61%
BDO SECURITIES CORPORATION	36,653,155	0.50%
KATRINA MARIE P. CO	35,223,884	0.48%
COL FINANCIAL GROUP, INC.	34,672,154	0.47%

Dividends

The summary of dividends declared by the Company are as follows:

Dividend and Declaration Date	Record Date	Payment Date
Php0.06 per share / June 27, 2014	July 11, 2014	July 28, 2014
Php0.08 per share / December 18, 2014	January 12, 2015	February 5, 2015
Php0.08 per share / December 18, 2015	January 8, 2016	January 18, 2016
Php0.08 per share / December 22, 2016	January 12, 2017	January 20, 2017

PART II

INFORMATION REQUIRED IN A PROXY FORM

Item 1. Solicitor. The following proxies are being secured for the benefit of the Company. The Company has designated its Chairman, Lucio L. Co and President, Mr. Leonardo B. Dayao, as the persons who shall vote the proxies gathered by the Company. The proxy form is intended to facilitate representation by stockholders and will be used for voting at the Annual Meeting of Stockholders to be held on June 30, 2017 at the Acacia Hotel, Alabang, Muntinlupa City, on the date and time and place stated above and in the Notice accompanying this Information Statement and at any postponements or adjournments thereof.

Item 2. Instructions. The Proxy Form, must be properly signed, dated and returned by the stockholder on or before June 27, 2017. Validation of proxies will be held at the Company's principal office on June 28, 2017, 4:00 p.m. For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy.

Validated proxies will be voted at the meeting in accordance with the authority and/or instructions of the stockholder expressed therein. Proxies which are not properly signed and dated, or which are received late, or which do not have an accompanying secretary's certificate (for corporate shareholders) shall not be voted at the meeting.

Subject to a stockholder's right to revoke his own proxy as stated in Item 3 below, the proxy given by a stockholder shall be voted by the Company's Chairman, Lucio L. Co, and/or President, Mr. Leonardo B. Dayao, or in his absence, by the Chairman of the Meeting, with full power of substitution and delegation, in accordance with the authorization specifically granted by the stockholder.

> **If no specific authority and/or instruction is made in the Proxy Form, the shares of the stockholder will be voted FOR ALL the nominee directors named in the Proxy Form and FOR THE APPROVAL of all the matters stated in the Proxy Form and all other matters for which stockholders' approval may be sought in the Meeting and at any postponements or adjournments thereof.**

Item 3. Revocability of Proxy. A stockholder giving a proxy has the power to revoke it at any time before the right granted under and by virtue of such proxy is exercised, either: (a) by submitting a sworn statement revoking such proxy on or before June 27, 2017; or, (b) by appearing at the Meeting in person and expressing his intention to vote in person.

Item 4. Persons Making the Solicitation. The Company is soliciting proxies. The proxy form is intended to facilitate representation by stockholders and will be used for voting at the Annual Meeting of Stockholders to be held on the date and time and place stated above and in the Information Statement, and at any postponements or adjournments thereof. As of the date the Information Statement and this Proxy Form are sent to stockholders of record, NO director has informed the Company in writing that he opposes any action intended to be taken by the Company at the Meeting.

There are no other participants in the solicitation of proxies through this Information Statement.

The proxy forms will be sent to stockholders mainly through the mail. Incidental solicitation in person or through telephone reminding stockholders to attend the meeting may be made by the directors, officers and employees of the Company, for which no arrangement are or will be made and no compensation will be paid for such incidental solicitation.

The Company will bear the cost of preparing, collating and delivering to stockholders the Information Statement, the Proxy Form and the accompanying materials and the Company estimates expenditures not exceeding PHP1,000,000.00.

Item 5. Interest of Certain Persons in Matters to be Acted Upon. No current director or officer nor any associate of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon except on the election of directors for year the 2017.

PART III

SIGNATURE PAGE

After reasonable inquiry, and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Manila on June 15, 2017.

COSCO CAPITAL, INC.

BY:

ATTY. JOSE S. SANTOS, JR.
Corporate Secretary

UNDERTAKING

The company shall provide, without charge to each stockholder, a copy of its Annual Report or SEC Form 17-A upon written request of such person addressed to the Office of the Corporate Secretary, No. 900 Romualdez St., Paco, Manila 1007.

COSCO CAPITAL, INC.

BY:

ATTY. JOSE S. SANTOS, JR.
Corporate Secretary

PROXY FORM

Date:___________

The undersigned hereby appoints the Chairman, Mr. Lucio L. Co and or the President, Mr. Leonardo B. Dayao, with full power of substitution and delegation, as proxy to vote all the shares of the undersigned at the Annual Stockholders' Meeting of **COSCO CAPITAL, INC.** to be held on **June 30, 2017, 9 AM, at the Acacia Hotel, Alabang, Muntinlupa City**, and at any postponements or adjournments thereof.

The proxy shall vote subject to the instructions indicated below and the proxy is authorized to vote in his discretion on other business as may properly come at the Meeting and any postponements or adjournment thereof. Where no specific authority is clearly indicated below, the proxy shall vote and shall be deemed authorized to vote **FOR THE APPROVAL** of all the corporate matters listed below, and **FOR ALL** the nominated directors named below.

Corporate Matters:

Agenda	For	Against	Abstain
1.Call to order			
2. Proof of notice and 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 from the date of the last Stockholders' Meeting			
4. Message of the Chairman and the President and Presentation of the Audited Financial Statements as of December 31, 2016			
5. Election of Lucio L. Co			
6. Election of Susan P. Co			
7. Election of Leonardo B. Dayao			
8. Election of Eduardo Hernandez			
9. Election of Levi Labra			
10. Election of Roberto Juanchito T. Dispo			
11. Election of Robert Cokeng			
12. Election of Oscar Reyes			
13. Election of Bienvenido Laguesma			
14. Re-appointment of RG Manabat & Company as External Auditor			
15. Other Matters			
16. Adjournment			

______________________________ ______________________________

Printed Name of Stockholder **Signature of Authorized Representative**

For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the appointment of the proxy and the authority of the person signing the proxy.

CERTIFICATION

I, **JOSE S. SANTOS, JR.**, Filipino, of legal age, am the Corporate Secretary of Cosco Capital, Inc., a corporation duly organized and existing under the laws of the Republic of the Philippines with office at No. 900 Romualdez St., Paco, Manila.

I hereby certify that none of the directors and officers of Cosco Capital, Inc. works for any government agency.

Manila, June 16, 2017.

JOSE S. SANTOS, JR.
Corporate Secretary

SUBCRIBED AND SWORN TO before me this JUN 16 2017 day of June 2017 in the City of Manila.

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Book No. VI
Series of 2017.

CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
APPOINTMENT NO. 2016-068
UNTIL DECEMBER 31, 2017
PTR NO. 5993454 MANILA 01-03-17
IBP NO. 1062578/2-2-17/PPLM
MCLE COMPLIANCE NO. V-0014291/02-16-2016
ROLL NO. 55392/05-02-08
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007

ANNEX A

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 2016 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	2016	2015	2014
Return on investment	**10.88%**	11.16%	10.94%
Profit margin	**5.78%**	5.98%	6.31%
EBITDA to interest expense	**36.28x**	27.37x	34.54:1
Current ratio	**2.14:1**	2.07:1	2.14:1
Asset turnover	**1.29:1**	1.25:1	1.20:1
Asset to equity	**1.44:1**	1.49:1	1.50:1
Debt to equity ratio	**0.44:1**	0.49:1	0.50:1

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 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	P129,186	*100.00%*	P116,752	*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	P7,469	*5.78%*	P6,987	*5.98%*	*482*	*6.90%*
Net Income Attributable to:						
Equity holders of the Parent Company	P4,734	*3.66%*	P4,491	*3.85%*	*243*	*5.42%*
Non-controlling interests	2,735	*2.12%*	2,497	*2.14%*	*239*	*9.56%*
	P7,469	*5.78%*	P6,987	*5.98%*	*482*	*6.90%*
Basic earnings per share	P0.663347		P0.628180			*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

Grocery Retail

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						
LIABILITIES						
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						
LIABILITIES						
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.

Comparative Years 2014 and 2013

Table 1: Consolidated Income Statements

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

(In Millions)	**2014**		2013		***INCREASE (DECREASE)***	*%*
REVENUES	**98,787**	***100%***	48,976	*100%*	***49,811***	***102%***
COST OF SALES / SERVICES	**81,775**	***83%***	39,442	*81%*	***42,333***	***107%***
GROSS PROFIT	**17,012**	***17%***	9,534	*19%*	***7,477***	***78%***
OTHER OPERATING INCOME	**2,838**	***3%***	1,400	*3%*	***1,439***	***103%***
GROSS OPERATING INCOME	**19,850**	***20%***	10,934	*22%*	***8,916***	***82%***
OPERATING EXPENSES	**11,198**	***11%***	5,830	*12%*	***5,368***	***92%***
INCOME FROM OPERATIONS	**8,652**	***9%***	5,104	*10%*	***3,548***	***70%***
OTHER INCOME (CHARGES) – net	**37**	***0%***	-21	*0%*	***58***	***274%***
INCOME BEFORE INCOME TAX	**8,689**	***9%***	5,082	*10%*	***3,607***	***71%***
INCOME TAX EXPENSE	**2,453**	***2%***	1,351	*3%*	***1,102***	***82%***
NET INCOME	**6,236**	***6%***	3,731	*8%*	***2,504***	***67%***
Income Attributable to:						
Equity holders of the Parent Company	**4,027**	***4%***	**2,483**	*5%*	***1,544***	***62%***
Non-controlling interests	**2,209**	***2%***	**1,248**	*3%*	***960***	***77%***
	6,236	***6%***	**3,731**	*8%*	***2,504***	***67%***

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

Table 2 – Pro-forma Consolidated Income Statements

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

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

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

Thus, on a pro-forma basis, the Group's consolidated revenues for the 12-months period ended December 31, 2014 would amount to P110.32 Billion for an increase by P13.65 Billion or a year-on year growth of 14% as compared to the same period in 2013. Consequently, the Group's consolidated net income would amount to P6.52 Billion reflecting an increase by P910 Million or a year-on-year growth of 16% as compared to the net income of the same period last year.

Comparison of Results of Operations between 2014 and 2013

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P98.79 Billion for the year ended December 31, 2014 which reflects an increase of P49.82 Billion or representing a growth of 102% compared to last year's revenue of P48.98 Billion. The growth in consolidated revenues has been largely driven by a combination of the Group's sustained organic growth from its aggressive stores expansion program for its grocery retail, real estate and liquor distribution business segments as well as revenue contributions realized from the strategic acquisitions made during the period involving its commercial real estate portfolio as well as investments in specialty retailing business segment with the acquisition of Office Warehouse in February 2014 as well as Liquigaz Philippines in July 2014.

Growth in Net Income

During the same period, the Group realized a consolidated net income of P6.23 Billion which is higher by P2.50 Billion representing a 67% increase as compared to last year's net income of P3.73 Billion. Net income attributable to equity holders of the parent company (PATMI) amounted to P4.027 Billion in 2014 which increased by about P1.54 Billion or 62% as compared to the 2013 PATMI amounting to P2.48 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During 2014, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P84.70 Billion or an increase of P38.67 Billion or 84% growth as compared to the segment's revenue contribution of P46.02 Billion last year brought about by its continued aggressive stores expansion program. Consolidated net income contribution in 2014 amounted to P4.52 Billion which increased by P1.97 Billion or 77% as compared to the net income contribution of P2.55 Billion in 2013.

Real Estate Segment

The commercial real estate business segment contributed P1.39 Billion to the Group's consolidated revenue in 2014 representing a growth of about P271 Million or 24% as compared to last year amounting to P1.12 Billion. This was mainly attributable to the segment's expanded commercial mall operations with the operations of its Fairview Terraces mall as well as the acquisition of NE Pacific Mall on February 11, 2014. Net income contribution in 2014 amounted to about P959 Million which increased by about P396 Million or 70% as compared to the net income contribution of P563 Million in 2013.

Liquor Distribution Segment

Similarly, the liquor distribution business segment contributed about P3.72 Billion to the Group's consolidated revenue during the same period in 2014 representing an increase by about P1.89 Billion or 104% higher as compared to the 2013 revenue contribution of P1.82 Billion mainly attributable to its aggressive sales and marketing campaign. Net income contribution in 2014 amounted to about P603 Million which increased by P10 Million or 2% as compared to the net income contribution in 2013 amounting to P594 Million.

Specialty Retail

Office Warehouse, Inc., which was acquired in April 2014, contributed the amount of P820 Million to the Group's consolidated revenue and P5 Million to the Group's consolidated net income during the 8-months period ending December 31, 2014.

On the other hand, Liquigaz Philippines Corporation, which was recently acquired on July 21, 2014, contributed the amount of P7.91 Billion to the Group's consolidated revenues and P126 Million to the Group's consolidated net income during the 5-months period ending December 31, 2014.

Segment Operating Highlights

Grocery Retail

Net Sales

For the year ended December 31, 2014, the Retail segment posted a consolidated net sales of P84,697 million for an increase of P11,520 million or 15.7% compared to P73,177 million in 2013. New stores put up in 2013 were fully operating in 2014 increasing consolidated net sales in addition to robust like for like stores sales growth for the year ended December 2014. Consolidated like for like sales performance indicators of the Retail segment for the years ended December 31 are as follow:

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

Gross Profit

For the year ended December 31, 2014, the Retail segment realized an increase of 14.1% in consolidated gross profit from P12,699 million in 2013 to P14,484 million in 2014, driven by strong sales growth from new and old stores and continuous suppliers' support through rebates and conditional discounts granted during the period. Consolidated gross profit margin was posted at 17.1% and 17.4% for the years ended December 2014 and 2013, respectively.

Other Operating Income

Other operating income increased by P634 million or 28.8% from P2,204 million in December 2013 to P2,838 million in 2014. This is attributable to increase in concession income, display allowance, rent income, membership income and service income driven mainly by new stores offering new spaces for product displays and booths for third party retailers and other promotions to increase customer and supplier's supports.

Operating Expenses

Consolidated operating expenses expanded by 14.8% from P9,449 million in 2013 to P10,845 million in 2014 resulting from the Retail segment's store expansion. Major expenses linking to store operations such as manpower cost, rent, utilities, depreciation and taxes increased, but total operating expenses maintain a 12.8% and 12.9% share in relation to consolidated net sales in 2014 and 2013, respectively.

Other Income (Expense) - net

Other income net of other expenses decreased by P142 million or 116.1% for the year ended December 2014 compared to previous year. This was due to the absence of the one-time interest income recognized in 2013 coming from the short-term investment of the proceeds from the P5 billion corporate notes issued by the Parent Company. The same notes were pre-terminated and paid in full in April of 2013 due to the changes in the applicable taxation rules.

Net Income

For the year ended December 31, 2014, the Retail segment posted a consolidated net income of P4,520 million at 5.3% net margin and an increase of 14.2% from P3,959 million at 5.4% net margin in 2013. This was due to the continuous expansion of the Group and combined management effort to boost revenue driven from old stores. On a recurring basis, normalized net income after tax would have increased by P695 million or 18.2% at 5.3% and 5.2% net margin for the years ended December 31, 2014 and 2013, respectively. In previous year, the Retail segment recognized a one-time interest income coming from the short-term investment of the proceeds from the P5 billion corporate notes issued by the Parent Company. The same notes were pre-terminated and paid in full in April of 2013 due to the changes in the applicable taxation rules.

Real Estate

The Group's Real Estate Segment posted P2.21 Billion revenue for the years ended December 31, 2014 or a 3% increase from P2.15 Billion in the previous year. The acquisition of NE Pacific Shopping Centers Corporation and the opening of Fairview Terraces Mall expanded the Group's commercial mall portfolio and mainly contributed to the increase of the segment's revenue.

Income from operations before depreciation increased by P535 Million from P854 Million of the year ended December 31, 2013.

Real Estate Segment's net income for the period amounted to P975 Million or a 21% increase from last year's P453 Million brought about by growth in revenue and decrease in operating expenses, income tax expense and interest expenses.

Liquor Distribution

Revenue from the Liquor Distribution Segment increased to P4.84 Billion in 2014 or 36% growth from last year's P3.56 Billion. The growth in revenue is attributable to the increase in sales of the spirits sector particularly whisky and brandy. Wines and specialty beverages also experienced dramatic growths in the current year and contributed to the segment's overall sales growth.

Income from operations increased to P886 Million in 2014 or 13% higher from last year's P787 Million.

Net income for the 2014 period increased by P64 Million from P539 million in 2013 to P603 Million in 2014 or a 12% growth.

Specialty Retail

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

For the year ended December 31, 2014, Office Warehouse contributed the amount of P820 Million to the Group's consolidated revenue and P5 Million to the Group's consolidated net income.

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

For the year ended December 31, 2014, Liquigaz contributed the amount of P7.91 Billion to the Group's consolidated revenues and P126 Million to the Group's consolidated net income. However, the Company's 2014 twelve-month year on year revenue and net income grew by 4% and 61% respectively, as compared to its 2013 operating results.

Table 3: Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group:

(In Million)	2014	%	2013	%	*INCREASE (DECREASE)*	%
A S S E T S						
Current Assets						
Cash and cash equivalents	**15,377**	*17%*	14,744	*20%*	***633***	***4%***
Receivables – net	**5,342**	*6%*	2,819	*4%*	***2,523***	***89%***
Investments in trading securities	**37**	*0%*	29	*0%*	***9***	***30%***
Available-for-sale financial assets	**14**	*0%*	11	*0%*	***3***	***25%***
Short-term investments	**1,128**	*1%*	500	*1%*	***628***	***126%***
Inventories	**13,922**	*16%*	10,355	*14%*	***3,567***	***34%***
Due from related parties	**10**	*0%*	-	*0%*	***10***	***100%***
Prepaid expenses and other current assets	**1,165**	*1%*	1,703	*2%*	***-538***	***-32%***
	36,995	*41%*	30,161	*40%*	***6,834***	***23%***
Noncurrent Assets						
Property and equipment – net	**15,285**	*17%*	13,481	*18%*	***1,804***	***13%***
Investment properties – net	**12,774**	*14%*	11,672	*16%*	***1,102***	***9%***
Intangible assets	**20,895**	*23%*	18,001	*24%*	***2,894***	***16%***
Investments	**912**	*1%*	440	*1%*	***472***	***107%***
Deferred oil and mineral exploration costs	**119**	*0%*	119	*0%*		***0%***
Loans to related parties-net of current portion	**8**	*0%*	-	*0%*	***8***	***100%***
Deferred tax assets - net	**121**	*0%*	53	*0%*	***68***	***128%***
Other non-current assets	**2,609**	*3%*	1,196	*2%*	***1,413***	***118%***
	52,723	*59%*	44,961	*60%*	***7,762***	***17%***
TOTAL ASSETS	**89,718**	*100%*	75,122	*100%*	***14,596***	***19%***
LIABILITIES AND EQUITY						
L I A B I L I T I E S						
Current Liabilities						
Accounts payable and accrued expenses	**12,206**	*40%*	11,156	*55%*	***1,051***	***9%***
Income tax payable	**830**	*3%*	735	*4%*	***95***	***13%***
Short-term loans payable	**2,259**	*7%*	1,212	*6%*	***1,047***	***86%***
Current portion of long-term borrowing	**1,008**	*3%*	-	*0%*	***1,008***	***100%***
Trust receipts payable	**-**	*0%*	17	*0%*	***-17***	***-100%***
Due to related parties	**43**	*0%*	48	*0%*	***-6***	***-12%***
Dividends payable	**529**	*2%*	407	*2%*	***122***	***30%***
Other current liabilities	**409**	*1%*	414	*2%*	***-5***	***-1%***
	17,283	*57%*	13,988	*69%*	***3,295***	***24%***

(In Million)	2014	%	2013	%	INCREASE (DECREASE)	%
Noncurrent Liabilities						
Retirement benefit cost	**433**	*1%*	293	*1%*	***140***	***48%***
Deposits for future stock subscription	**150**	*0%*	-	*0%*	***150***	***100%***
Deferred tax liabilities	**1,265**	*4%*	939	*5%*	***326***	***35%***
Long-term loans payable - net of debt issue costs	**8,859**	*29%*	3,452	*17%*	***5,407***	***157%***
Other non-current liabilities	**2,560**	*8%*	1,620	*8%*	***941***	***58%***
	13,268	*43%*	6,303	*31%*	***6,964***	***110%***
TOTAL LIABILITIES	**30,550**	*100%*	20,291	*100%*	***10,259***	***51%***
EQUITY						
Capital stock	**7,405**	*13%*	7,405	*14%*	-	***0%***
Additional paid-in capital	**9,635**	*16%*	9,635	*18%*	-	***0%***
Remeasurements of retirement liability - net of tax	**-49**	*0%*	-3	*0%*	***-47***	***1846%***
Reserve for fluctuations in value of AFS financial assets	**-504**	*-1%*	5	*0%*	***-508***	***-11133%***
Retained earnings	**25,925**	*44%*	23,040	*42%*	***2,885***	***13%***
Total Equity Attributable to Equity Holders of Parent Company	**42,412**	*72%*	40,082	*73%*	***2,330***	***6%***
Treasury stock	**-253**	*0%*	-245	*0%*	***-8***	***3%***
	42,160		39,837		***2,323***	***6%***
Non-controlling interest	**17,008**	*29%*	14,994	*27%*	***2,015***	***13%***
	59,168	*100%*	54,831	*100%*	***4,337***	***8%***
TOTAL LIABILITIES AND EQUITY	**89,718**		75,122		***14,596***	***19%***

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

Table 4 – Pro-forma Consolidated Statements of Financial Position

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

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

(In Millions)	2014	%	2013	%	INCREASE (DECREASE)	%
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	11,817	39%	11,615	48%	202	2%
Income tax payable	830	3%	693	3%	136	20%
Short-term loans payable	2,259	7%	1,902	8%	357	19%
Current portion of long-term borrowing	1,008	3%	-	0%	1,008	100%
Trust receipts payable	-	0%	17	0%	-17	-100%
Due to related parties	43	0%	2,515	10%	-2,473	-98%
Dividends payable	935	3%	407	2%	529	130%
Other current liabilities	409	1%	414	2%	-5	-1%
	17,300	57%	17,562	73%	-262	-1%
Non-current Liabilities						
Retirement benefit cost	433	1%	319	1%	114	36%
Deposits for future stock subscription	150	0%	150	1%	-	0%
Deferred tax liabilities	1,265	4%	939	4%	326	35%
Long-term loans payable - net of debt issue costs	8,859	29%	3,520	15%	5,339	152%
Other non-current liabilities	2,560	8%	1,694	7%	867	51%
	13,268	43%	6,621	27%	6,646	100%
TOTAL LIABILITIES	30,567	100%	24,183	100%	6,384	26%
EQUITY						
Capital stock	7,405	12%	7,405	13%	-	0%
Additional paid-in capital	9,635	16%	9,635	17%	-	0%
Reserve for retirement plan - net of tax	-	0%	-3	0%	3	-100%
Remeasurements of retirement benefit obligation	-49	0%	-8	0%	-41	481%
Reserve for fluctuations in value of AFS financial assets	-504	-1%	5	0%	-508	-11133 %
Retained earnings	28,477	48%	23,360	42%	5,117	22%
Total Equity Attributable to Equity Holders of Parent Company	44,964	75%	40,394	73%	4,571	11%
Treasury shares	-253		-245	0%	-8	3%
	44,712		40,149		4,563	11%
Non-controlling interest	15,004	25%	14,994	27%	10	0%
	59,716	100%	55,143	100%	4,573	8%
TOTAL LIABILITIES AND EQUITY	90,283		79,326		10,957	14%

Current Assets

Cash and cash equivalents amounted to P15.38 Billion as at December 31, 2014 with an increase of P6.22 Billion from December 31, 2013 balance or an 68% increase due basically to the net effect of the Parent Company's new strategic business acquisitions during the current period, coupled by significant increase in cash of the Retail Segment which is attributable to cash generated from operating activities offset by payment of trade liabilities, payment of 2013 cash dividends and capital expenditure for new stores expansion in 2014. However, the Group's funding position was reinforced by the Parent Company's successful issuance of a P5-Billion long-term corporate notes facility sometime in May 2014.

Short-term investments increased by 126% from December 31, 2013 balance of P500 Million to this year's balance of P1.13 Billion due mainly to the additional placements made by the Real estate segment and Parent and Oil segment, partially offset by the amount of Retail segment's placement that matured in 2014.

Receivables increased by 13% from December 31, 2013 balance of P4.74 Billion to this year's balance of P5.35 Billion due mainly to the increase in sales in 2014.

Inventories increased by 17% from 2013 balance of P11.92 Billion to this year's balance of P13.92 Billion due to the retail segment's expansion and additional stocking requirement of the new and existing stores as well as the additional stocking requirements of the liquor distribution segment preparatory to the 4th quarter incremental sales volume. Bulk of the inventory account pertains to the merchandise inventory stocks of the retail segment amounting to P11.17 Billion.

Prepayments and other current assets decreased by P913 Million or 44% at the end of December 2014, due primarily to application of input vat against output vat payable.

Non-current Assets

As at December 31, 2014 and 2013, total non-current assets amounted to P53.29 Billion or 59% of total assets, and P50.90 Billion or 64% of total assets, respectively, for an increase of P2.4 Billion or 5%.

Property and equipment pertains to the buildings and equipment mostly owned by the Retail segment. Book values of property and equipment increased by P585 Million from P14.7 Billion in December 2013 to P15.28 Billion in December 2014 due principally to additional capital expenditures incurred by the Retail Segment for the development and establishment of new stores.

Investment properties pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of property and equipment increased by P101 Million or 1% from P12.67 Billion in December 2013 to P12.77 Billion in December 2014 due principally to the additional commercial mall assets.

Investments increased by P337 Million or 57% from P596 Million in December 2013 to P933 Million in December 2014. This was due mainly to equity investments made by the Retail Segment in June 2014, into a joint venture company with Lawson Asia Pacific Holdings PTE. LTD. and Lawson, Inc. to pursue the establishment and operations of convenient stores in the Philippines.

Other non-current assets increased by P1.36 Billion from P1.25 Billion in December 2013 to P2.61 Billion in December 2014. About 48% of these assets are attributable to the Retail Segment and the increase was primarily due to additional security deposits and advance rentals in relation to new leases acquired for new stores development for the Retail Segment as well as accrued rental income (PAS17) pertaining to future periods for both the Real Estate and the Retail Segments.

Current Liabilities

As at December 31, 2014 and 2013, total current liabilities amounted to P17.3 Billion and P17.56 Billion respectively, for a decrease of P262 Million or 1%.

About 79% of accounts payable and accrued expenses pertains to the trade payable to suppliers by the Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate segment and suppliers of Liquor Distribution. The increase by P202 Million or 2% was primarily due to the additional purchases during by the Retail and Liquor Distribution segment partially offset by the net settlement of trade and non-trade liabilities.

Significant portion of the income tax payable pertains to that of the Retail Segment. The increase by P136 Million from P693 Million as at December 2013 to P830 Million as at December 2014 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2014 in relation to the same period in 2013.

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

Short-term loans payable account increased by P357 Million mainly due to additional loans availed during 2014 principally by the Real Estate segment to refinance outstanding working capital loans and advances.

Current portion of long term borrowing net of debt issue cost increased by P1.0 Billion due to reclassification of long-term loans of Retail segment and loans of Parent and Mining segment that falls due within 1 year.

Due to related parties decreased by P2.47 Billion or 98% mainly due to the settlement made by the Specialty retail segment during 2014.

Dividends payable increased by P529 Million or 130% mainly due to the dividends declared during 2014 by the Parent Company and Retail segment.

Noncurrent Liabilities

As at December 31, 2014 and 2013, total non-current liabilities amounted to P13.27 Billion and P6.3 Billion, respectively, for an increase of P6.65 Billion or 100% significantly attributable to the issuance by the Parent Company of the P5.0 Billion corporate notes facility in May 2014.

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

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

Deferred tax liabilities increased by P326 Million or 35% mainly due to the increase in accrued rent income.

Other non-current liabilities, which is primarily composed of non-current accrued rent, increased by P867 Million or 51% from P1.69 Billion as at December 31, 2013 to P2.3 billion as at December 31, 2014 due to recognition of rent expense for lease contracts entered into by the Group and its subsidiaries in compliance with PAS 17 – *Leases.*

Source and Use of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
	2014	2013
Net cash flows from (used in) operating activities	**P3,308,640,604**	P4,642,801,273
Net cash flows from (used in) investing activities	**(9,237,204,532)**	(484,169,663)
Net cash flows from financing activities	**6,913,498,443**	9,587,660,354
Net increase in cash and cash equivalents	**P984,934,515**	P13,745,444,588

Net cash used from operating activities during the current period amounting to P3.31 Billion is basically attributable to the net effect of the cash generated from the operation.

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

Net cash inflows from financing activities principally resulted from the net proceeds of P5 Billion from corporate notes obtained by the Parent Company and the Real Estate segment reduced by the payments made to loan borrowings and finance costs, the effect of consolidation of a newly-acquired subsidiaries and reduced by loan repayments by the Retail segment as well as finance costs paid during the year.

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

Material Events and Uncertainties

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

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

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

On April 12, 2013, Lucio L. Co Group and Alcorn Gold Resources Corporation (now Cosco Capital, Inc.) executed a Deed of Assignment in Payment for the Subscription wherein the Lucio L. Co Group shall subscribe to the unissued unauthorized capital stock of the Cosco, Capital, Inc. from the increase of its authorized capital stock at a subscription price of P15 per share for a total of 4,987,406,421 new shares at an aggregate subscription price of P74,811,096,315 worth of shares in Puregold Price Club, Inc. and Subsidiaries, Ellimac Prime Holdings, Inc. and Subsidiaries, Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc. and Subsidiary, Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Acquirees"), and the corresponding payment thereof by way of assignment of the shares owned by Lucio L. Co Group in the Acquirees, under the terms and conditions to be determined by the Corporation's BOD.

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

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

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

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

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

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

On May 16, 2014, Cosco Capital, Inc. entered into a P5 Billion Corporate Notes Facility Agreement with syndicate of institutional lenders composed of banks and insurance companies. The facility consists of seven (7) year and ten (10) year notes. The funds will be used for strategic acquisition and general corporate notes.

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

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

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

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

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

In addition, the following significant events had transpired in 2015:

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. On November 2, 2015, the Parent Company renewed its authority to buy back its shares for another one year. As at December 31, 2015 and 2014, the Parent Company already bought back 19,347,300 and 472,200 shares with acquisition cost of P158,006,227 and P3,963,490, respectively and was classified in the Parent Company's book as treasury shares.

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

On August 12, 2015, the Parent Company, through wholly-owned subsidiary, Ellimac Prime Holdings, Inc. acquired Maunlad mall situated at Malolos Bulacan.

On August 6, 2015, Puregold Price Club, through wholly-owned subsidiary Entenso Equities and Goldtempo Company, Inc., acquired eight (8) supermarket stores operating under trade name Budgetlane. Mainly located in Metro Manila and Luzon: one in Pasig City, two in Antipolo City, two in Rizal, two in Laguna and one in Batangas.

On August 5, 2015, the Parent Company, through wholly-owned subsidiary, Ellimac Prime Holdings, Inc. acquired RFC mall located along Alabang, Zapote, Las Pinas City.

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

On February 3, 2015, Puregold Price Club, Inc. acquired the chain of nine (9) supermarkets from NE Incorporated. These supermarkets are located mainly in Central and North Luzon regions specifically in Cabanatuan, Nueva Ecija, San Jose Nueva Ecija, Baliwag, Bulacan, Baler, Aurora and Santiago, Isabela.

On February 3, 2015, Cosco Capital, through its wholly-owned subsidiary, Ellimac Prime Holdings, Inc., acquired four (4) commercial properties from NE Incorporated. The properties are located at Zulueta St., Cabanatuan City; San Jose City Nueva Ecija; San Juan Accfa, Cabanatuan City; Baler, Aurora; and Santiago City, Isabela.

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

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

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

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

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

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

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

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

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

ANNEX "B"

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 8 1 3 7 5 4

COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

900 Romualdez Street, Paco Manila

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
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, 2016, 2015 and 2014

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, 2016 and 2015**, 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

APR 04 2017

SUBSCRIBED AND SWORN to before me this ______ day of __________ 2017 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

CANDY H. DACANAY-DATUON
NOTARY PUBLIC FOR THE CITY OF MANILA
APPOINTMENT NO. 2016-066
UNTIL DECEMBER 31, 2017
PTR NO. 4948010 MANILA 01/07/2016
IBP NO. 09872 LIFETIME MEMBER/CAVITE CHAPTER
MCLE NO. V-0014285 16/02/2016
ROLL NO. 49459
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007
PTR. NO. 5993453 MANILA 01/03/2017

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Page No. 4 ;
Book No. V ;
Series of 2017

KPMG

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Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

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, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016, 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.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2017 SCES
W
ELMER B. TANAY

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 (P129.19 billion)
Refer to Note 3 to the consolidated financial statements.

The risk
While revenue recognition and measurement is not complex for the Group, revenue targets form part of the Group's key performance measures which could create an incentive to record revenue incorrectly. We focused on this area given the magnitude of revenue transactions that occur and the opportunity that exists across markets to influence the timing of revenue recognition.

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

- We evaluated the relevant IT systems and tested the internal controls over the completeness, accuracy and timing of revenue recognized in the consolidated financial statements.

- We checked on a sampling basis, sales transactions for the last week sales of the financial year and also the first week of the following financial year to the sales documents to assess whether these transactions are recorded in the correct financial year.

- We tested journal entries posted to revenue accounts to identify unusual or irregular items.

- We applied data analysis techniques to test the appropriateness of the level of revenue transactions.

Valuation of goodwill, trademark and customer relationships (P22.34 billion)
Refer to Note 14 to the consolidated financial statements.

The risk
The Group holds a significant amount of goodwill, trademark and customer relationships as a result of several business acquisitions. The annual impairment test was significant to our audit as the assessment process is complex and judgmental by nature as it is based on assumptions on future market and/or economic conditions. The assumptions used included future cash flow projections, 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 tested the integrity of the discounted cash flow model. This involved evaluating the models used and assumptions applied and comparing these assumptions to external data, where applicable. The key assumptions include sales volume, selling price and gross profit margin.

- We compared the Group's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost of inflation and discount rates, as well as performing break-even analysis on the assumptions.

- We compared the sum of the discounted cash flows to the entities' market capitalization to assess the reasonableness of those cash flows.

- 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, 2016, 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, 2016 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
CPA License No. 0094495
SEC Accreditation No. 1386-A, Group A, valid until April 30, 2017
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 5904948MD
Issued January 3, 2017 at Makati City

March 31, 2017
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2017 SCES
ELMER B. TANAY

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

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	4	**P12,634,463,954**	P14,541,465,350
Short-term investments	5	**909,928,496**	561,955,978
Receivables - net	6	**6,805,704,418**	5,648,133,162
Inventories	7, 21	**19,792,366,124**	16,740,693,333
Investments in trading securities	8	**35,109,026**	34,432,591
Available-for-sale financial assets	9	**8,199,308**	8,587,187
Due from related parties	26	**185,135,625**	156,018,039
Prepaid expenses and other current assets	10	**1,626,699,219**	1,808,073,603
Total Current Assets		**41,997,606,170**	39,499,359,243
Noncurrent Assets			
Investments	11	**926,668,984**	989,189,640
Property and equipment - net	12	**18,662,865,178**	16,136,867,778
Investment properties - net	13	**15,438,015,914**	14,843,132,984
Intangibles and goodwill - net	14	**22,598,516,243**	22,558,070,024
Deferred oil and mineral exploration costs - net	15	**121,382,422**	120,896,482
Deferred tax assets - net	28	**116,587,497**	343,672,524
Due from related parties - noncurrent portion	26	**-**	210,808
Other noncurrent assets	16, 22	**3,558,554,337**	3,125,426,304
Total Noncurrent Assets		**61,422,590,575**	58,117,466,544
		P103,420,196,745	P97,616,825,787
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	17	**P11,775,809,624**	P12,175,189,869
Short-term loans payable	18	**5,362,500,000**	4,266,500,000
Current maturities of long - term loans, net of debt issue costs	18	**164,433,702**	619,694,073
Income tax payable		**1,102,117,992**	1,075,502,048
Trust receipts payable		**-**	5,182,021
Due to related parties	26	**690,334,673**	457,157,621
Other current liabilities	19	**542,542,941**	441,864,861
Total Current Liabilities		**19,637,738,932**	19,041,090,493
Noncurrent Liabilities			
Long-term loans - net of current maturities and debt issue costs	18	**7,223,504,941**	8,693,424,271
Deferred tax liabilities – net	28	**751,935,258**	758,795,340
Retirement benefits liability	27	**513,453,426**	479,824,597
Deposits for future subscriptions in a subsidiary	20	**150,313,060**	150,313,060
Noncurrent accrued rent	22	**2,909,884,085**	2,492,888,910
Other noncurrent liabilities		**445,130,198**	456,530,719
Total Noncurrent Liabilities		[illegible]	[illegible]
Total Liabilities		[illegible]	[illegible]

Forward

	Note	December 31 2016	2015
Equity			
Capital stock	29	**P7,405,263,564**	P7,405,263,564
Additional paid-in capital	29	**9,634,644,229**	9,634,644,229
Treasury stocks, at cost	29	**(523,864,669)**	(440,506,732)
Remeasurements of retirement liability - net of tax	27	**691,724**	(28,576,936)
Reserve for fluctuations in value of AFS financial assets	9	**4,593,473**	4,981,351
Retained earnings	29	**33,808,564,743**	29,868,620,397
Total Equity Attributable to Equity Holders of Parent Company		**50,329,893,064**	46,444,425,873
Non-controlling interest		**21,458,343,781**	19,099,532,524
Total Equity		**71,788,236,845**	65,543,958,397
		P103,420,196,745	P97,616,825,787

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2016**	2015	2014
REVENUES				
Net sales		**P127,406,728,086**	P114,902,150,885	P97,388,308,049
Services		**1,778,295,746**	1,848,044,359	1,395,944,012
Production lifting		**1,177,330**	1,986,833	2,491,779
		129,186,201,162	116,752,182,077	98,786,743,840
COST OF SALES AND SERVICES				
Cost of sales	*21*	**106,187,068,379**	95,700,127,354	80,565,757,343
Cost of services	*21*	**1,086,903,307**	1,088,354,616	933,652,573
		107,273,971,686	96,788,481,970	81,499,409,916
GROSS PROFIT		**21,912,229,476**	19,963,700,107	17,287,333,924
OTHER OPERATING INCOME	*23*	**3,279,509,595**	2,924,675,635	2,562,761,566
		25,191,739,071	22,888,375,742	19,850,095,490
OPERATING EXPENSES	*24*	**14,467,476,298**	12,875,678,316	11,130,394,999
INCOME FROM OPERATIONS		**10,724,262,773**	10,012,697,426	8,719,700,491
OTHER INCOME (EXPENSES)				
Interest income		**136,641,504**	134,728,099	182,061,951
Interest expense	*18*	**(345,677,790)**	(426,567,595)	(286,043,223)
Others - net	*25*	**42,218,392**	83,497,953	73,299,972
		(166,817,894)	(208,341,543)	(30,681,300)
INCOME BEFORE INCOME TAX		**10,557,444,879**	9,804,355,883	8,689,019,191
INCOME TAX EXPENSE	*28*	**3,088,050,615**	2,817,113,851	2,453,517,552
NET INCOME		**7,469,394,264**	6,987,242,032	6,235,501,639
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss in subsequent periods				
Unrealized fair value gains (losses) on available for sale financial assets	*9*	**(387,878)**	(1,951,069)	2,366,956
Item that will never be reclassified subsequently to profit or loss				
Remeasurements of retirement benefit liability	*27*	**85,947,475**	59,227,078	(54,415,785)
Income tax effect		**(25,762,868)**	(17,768,123)	16,324,736
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**59,796,729**	39,507,886	(35,724,093)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P7,529,190,993**	P7,026,749,918	P6,199,777,546
Net income attributable to:				
Equity holders of the Parent Company		**P4,734,101,196**	P4,490,644,237	P4,026,866,478
Non-controlling interests		**2,735,293,068**	2,496,597,795	2,208,635,161
		P7,469,394,264	P6,987,242,032	P6,235,501,639
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**P4,763,168,344**	P4,509,909,666	P4,010,400,185
Non-controlling interests		**2,766,022,649**	2,516,840,252	2,189,377,361
		P7,529,190,993	P7,026,749,918	P6,199,777,546
Basic/Diluted earnings per share attributable to equity holders of the Parent Company	*31*	**P0.66[illegible]347**	[illegible]	P0.5[illegible]784

See Notes to the Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2017 SCES
ELMER B. TANAY

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

	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Notes 1 and 29)	Additional Paid-In Capital (Note 29)	Treasury Stock (Note 29)	Remeasurements of Retirement Liability Net of Tax (Note 27)	Reserve for Fluctuations in Value of AFS Financial Assets	Retained Earnings	Non-controlling Interest	Total Equity
As at January 1, 2014	P7,405,263,564	P9,634,644,229	(P244,757,527)	(P2,520,490)	P4,565,462	P23,039,953,941	P14,993,671,806	P54,830,820,985
Effect of business combination	-	-	-	(28,439,694)	-	(123,658,659)	-	(152,098,353)
Acquisition of treasury stocks	-	-	(7,863,092)	-	-	-	-	(7,863,092)
Non-controlling interest from business combination	-	-	-	-	-	-	231,990,594	231,990,594
Cash dividends	-	-	-	-	-	(1,017,201,600)	(406,661,742)	(1,423,863,342)
	-	-	(7,863,092)	(28,439,694)	-	(1,140,860,259)	(174,671,148)	(1,351,834,193)
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	4,026,866,478	2,208,635,161	6,235,501,639
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	2,366,956	-	-	2,366,956
Remeasurement losses on defined benefit liability - net of tax	-	-	-	(18,833,250)	-	-	(19,257,800)	(38,091,050)
Total comprehensive income	-	-	-	(18,833,250)	2,366,956	4,026,866,478	2,189,377,361	6,199,777,545
As at December 31, 2014	7,405,263,564	9,634,644,229	(252,620,619)	(49,793,434)	6,932,418	25,925,960,160	17,008,378,019	59,678,764,337
Effect of business combination	-	-	-	-	-	42,889,301	-	42,889,301
Acquisition of treasury stocks	-	-	(187,886,113)	-	-	-	-	(187,886,113)
Cash dividends	-	-	-	-	-	(590,873,301)	(425,685,747)	(1,016,559,048)
	-	-	(187,886,113)	-	-	(547,984,000)	(425,685,747)	(1,161,555,860)
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	4,490,644,237	2,496,597,795	6,987,242,032
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	(1,951,067)	-	-	(1,951,067)
Remeasurement gains on defined benefit liability - net of tax	-	-	-	21,216,498	-	-	20,242,457	41,458,955
Total comprehensive income	-	-	-	21,216,498	(1,951,067)	4,490,644,237	2,516,840,252	7,026,749,920
As at December 31, 2015	7,405,263,564	9,634,644,229	(440,506,732)	(28,576,936)	4,981,351	29,868,620,397	19,099,532,524	65,543,958,397
Effect of business combination	-	-	-	(186,366)	-	(204,124,133)	(700,327)	(205,010,826)
Acquisition of treasury stocks	-	-	(83,357,937)	-	-	-	-	(83,357,937)
Cash dividends	-	-	-	-	-	(590,032,717)	(406,511,065)	(996,543,782)
	-	-	(83,357,937)	(186,366)	-	(794,156,850)	(407,211,392)	(1,284,912,545)
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	4,734,101,196	2,735,293,068	7,469,394,264
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	(387,878)	-	-	(387,878)
Remeasurement gains on defined benefit liability - net of tax	-	-	-	29,455,026	-	-	30,729,581	60,184,607
Total comprehensive income	-	-	-	29,455,026	(387,878)	4,734,101,196	2,766,022,649	7,529,190,993
As at December 31, 2016	P7,405,263,564	P9,634,644,229	(P523,864,669)	P691,724	P4,593,473	P33,808,564,743	P21,458,343,781	P71,788,236,845

See Notes to the Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
APR 2017
SCES
ELMER B. TANAY

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

		Years Ended December 31		
	Note	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P10,557,444,879**	P9,804,355,883	P8,689,019,191
Adjustments for:				
Depreciation and amortization	*12, 13, 14*	**1,788,344,067**	1,662,555,043	1,459,550,996
Rent expense in excess of billings		**416,995,175**	424,382,373	469,137,739
Interest expense	*18*	**345,677,790**	426,567,595	286,043,223
Retirement benefits cost	*27*	**132,876,996**	105,615,553	80,223,585
Share in net loss of joint venture and associate	*11*	**62,520,656**	8,275,320	-
Unrealized foreign exchange loss		**19,353,401**	18,854,978	48,073,684
Interest income		**(136,641,504)**	(134,728,099)	(182,061,951)
Dividend income		**(824,831)**	(10,107,548)	(26,752,127)
Unrealized loss (gain) in trading securities	*8, 25*	**(676,435)**	3,852,970	(8,581,093)
(Gain) loss on disposal of property and equipment		**(377,031)**	(3,886,703)	370,329
Gain on insurance claim	*25*	**-**	(38,721,771)	(26,143,753)
Gain on sale of available-for-sale financial assets		**-**	(2,708,960)	(451,588)
Operating income before changes in working capital		**13,184,693,163**	12,264,306,634	10,788,428,235
Decrease (increase) in:				
Receivables-net		**(1,391,862,120)**	(326,146,612)	(2,503,178,285)
Investments in trading securities		**-**	3,015,878	-
Inventories		**(3,051,672,791)**	(2,948,600,163)	(3,566,967,177)
Prepaid expenses and other current assets		**(61,244,384)**	(643,159,252)	538,067,960
Due from related parties		**(28,906,778)**	(138,184,409)	(18,044,438)
Increase (decrease) in:				
Accounts payable and accrued expenses		**157,869,021**	(1,039,651,182)	(231,858,488)
Trust receipts payable		**(5,182,021)**	5,182,021	(16,543,219)
Due to related parties		**233,177,052**	414,551,977	(5,847,677)
Other current liabilities		**100,678,080**	32,946,967	-
Other noncurrent liabilities		**(11,400,521)**	388,944,638	935,621,966
Cash generated from operations		**9,126,148,701**	8,013,206,497	5,919,678,877
Income taxes paid		**(2,651,642,492)**	(2,193,269,621)	(2,358,955,450)
Interest paid		**(346,902,974)**	(307,869,582)	(252,082,823)
Net cash provided by operating activities		**6,127,603,235**	5,512,067,294	3,308,640,604

Forward

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2017 SCES
ELMER B. TANAY

	Note	2016	2015	2014
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		**P136,641,504**	P134,728,099	P155,505,597
Proceeds from disposal of property and equipment		**4,558,704**	82,788,521	16,812,032
Dividends received		**824,831**	10,107,548	26,752,127
Additions to property and equipment	12	**(3,909,301,254)**	(2,415,450,405)	(1,994,235,405)
Additions to investment properties	13	**(725,371,050)**	(2,239,468,274)	(230,891,230)
Increase in other noncurrent assets		**(433,128,033)**	(516,013,534)	(1,413,258,392)
Additions to short-term investments	5	**(347,972,518)**	-	(824,078,115)
Effect of business combination		**(224,627,021)**	(612,945,746)	(2,287,583,949)
Additions to intangibles	14	**(70,901,146)**	(1,531,719,734)	(33,220,300)
Increase in oil and mineral exploration		**(485,940)**	(1,728,063)	(339,236)
Proceeds from insurance claim		**-**	38,721,771	26,143,753
Additions to investments	11	**-**	(87,500,000)	(472,289,945)
Acquisition of subsidiaries		**-**	-	(2,856,834,529)
Proceeds from redemption of available-for-sale financial assets	9	**-**	4,000,000	-
Proceeds from maturity of short-term investments		**-**	262,122,137	500,000,000
Proceeds from deposit for future subscriptions in a subsidiary		**-**	-	150,313,060
Net cash used in investing activities		**(5,569,761,923)**	(6,872,357,680)	(9,237,204,532)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of short-term loans	18	**3,205,000,000**	3,611,500,000	1,750,600,000
Payment of short-term loans		**(2,109,000,000)**	(818,500,000)	(703,500,000)
Payment of long-term loans payable	18	**(1,925,179,701)**	(1,006,800,000)	-
Cash dividends paid		**(1,532,951,669)**	(1,358,713,991)	(508,022,707)
Buyback of capital stocks		**(83,357,937)**	(187,886,113)	(7,863,092)
Availment of long-term loans		**-**	-	6,450,000,000
Contribution paid on plan assets		**-**	-	(25,000,000)
Payment for debt issue costs		**-**	-	(42,715,758)
Net cash (used in) provided by financing activities		**(2,445,489,307)**	239,599,896	6,913,498,443
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(19,353,401)**	(18,854,978)	(48,073,684)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,907,001,396)**	(1,139,545,468)	936,860,831
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**14,541,465,350**	15,681,010,818	14,744,149,987
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**P12,634,463,954**	P14,541,465,350	P15,681,010,818

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

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

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

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

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

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

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

	Percentage of Ownership	
	2016	2015
Puregold Price Club, Inc. and Subsidiaries (PPCI)	**51**	51
Montosco, Inc. (Montosco)	**100**	100
Meritus Prime Distributions, Inc. (Meritus)	**100**	100
Premier Wine and Spirits, Inc. (Premier)	**100**	100
Nation Realty, Inc. (NRI) [(1)]	**100**	100
118 Holdings, Inc. (118) [(6)]	**-**	100
Patagonia Holdings Corp. (PHC)	**100**	100
Ellimac Prime Holdings, Inc. (EPHI) [(6)]	**100**	100
Fertuna Holdings Corp. (FHC)	**100**	100
Pure Petroleum Corp. (PPC)	**100**	100
Alcorn Petroleum and Minerals Corporation (APMC)	**100**	100
NE Pacific Shopping Centers Corporation (NPSCC) [(2)]	**100**	100
Office Warehouse, Inc. (OWI) [(3)]	**100**	100
Canaria Holdings Corporation (Canaria) [(4)]	**90**	90
Liquigaz Philippines Corporation (LPC) [(5)]	**90**	90
Calor Philippines Holdings, Inc. (Calor) [(4)]	**90**	90

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

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

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

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

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

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

	December 31	
	2016	2015
Non-controlling interest percentage	**49%**	49%
Current assets	**P27,801,589,624**	P24,615,152,599
Noncurrent assets	**37,581,124,132**	35,829,275,395
Current liabilities	**(16,063,776,540)**	(16,207,423,386)
Noncurrent liabilities	**(6,147,358,587)**	(5,823,787,846)
Net assets	**43,171,578,629**	38,413,216,762
Carrying amount of non-controlling interests	**P21,154,073,528**	P18,822,476,213
Revenue	**P112,589,366,240**	P95,968,942,223
Net income for the year	**5,526,230,406**	5,001,871,585
Other comprehensive income	**63,175,124**	41,311,137
Total comprehensive income	**P5,589,405,530**	P5,043,182,722
Net income allocated to non-controlling interest	**P2,707,852,899**	P2,450,917,077
Other comprehensive income allocated to non-controlling interests	**30,955,811**	20,242,457
Cashflow from operating activities	**P2,697,962,724**	P3,327,402,425
Cashflow from investing activities	**(3,128,957,934)**	(4,255,867,188)
Cashflow from financing activities	**600,385,578**	416,531,870
Net increase (decrease) in cash and cash equivalents	**P169,390,368**	(P511,932,893)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	December 31	
	2016	2015
Non-controlling interest percentage	**10%**	10%
Current assets	**P2,963,178**	P2,960,330
Noncurrent assets	**3,528,450,757**	3,528,491,753
Current liabilities	**(3,429,394,744)**	(128,801)
Noncurrent liabilities	**-**	(3,429,215,443)
Net assets	**102,019,191**	102,107,839
Carrying amount of non-controlling interests	**P10,201,919**	P10,210,784
Revenue	**P -**	P41,994
Net loss for the year	**(47,652)**	(31,875)
Total comprehensive loss	**(P47,652)**	(P31,875)
Net loss allocated to noncontrolling interest	**(P4,765)**	(P3,187)
Cashflow from operating activities	**2,848**	(94,453,093)
Cashflow from financing activities	**-**	94,494,588
Net increase in cash	**P2,848**	P41,495

LPC

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

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

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

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

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

	December 31	
	2016	2015
Non-controlling interest percentage	**10%**	10%
Current assets	**P1,617,493,221**	P2,373,511,526
Noncurrent assets	**1,981,876,261**	1,352,608,941
Current liabilities	**(873,016,092)**	(1,255,853,179)
Noncurrent liabilities	**(21,878,427)**	(27,285,737)
Net assets	**2,704,474,963**	2,442,981,551
Carrying amount of non-controlling interests	**P270,447,496**	P244,298,155
Revenue	**P8,926,568,469**	P11,854,480,944
Net income for the year	**273,187,159**	454,717,747
Other comprehensive loss	**(2,262,294)**	-
Total comprehensive income	**P270,924,865**	P454,717,747
Net income allocated to noncontrolling interest	**P27,318,716**	P45,471,775
Other comprehensive loss allocated to non-controlling interests	**(226,229)**	-
Cashflow from operating activities	**(131,175,347)**	1,301,146,368
Cashflow from investing activities	**(663,662,366)**	(110,087,396)
Cashflow from financing activities	**723,021**	659,200,014
Net increase (decrease) in cash and cash equivalents	**(P794,114,692)**	P1,850,258,986

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

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

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

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

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

	December 31	
	2016	2015
Non-controlling interest percentage	**10%**	10%
Current assets	**P23,692**	P23,692
Noncurrent assets	**42,098,222**	40,304,272
Current liabilities	**(36,951,000)**	(32,605,310)
Noncurrent liabilities	**-**	(3,813,925)
Net assets	**5,170,914**	3,908,729
Carrying amount of non-controlling interests	**P517,091**	P390,873
Revenue	**P1,793,950**	P2,603,840
Net income for the year	**1,262,185**	2,121,317
Total net income/comprehensive income	**P1,262,185**	P2,121,317
Net income allocated to noncontrolling interest	**P126,219**	P212,132
Cashflow from operating activities	**P -**	P -
Cashflow from investing activities	**-**	-
Cashflow from financing activities	**-**	-
Movement in cash in bank	**P -**	P -

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

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

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on March 31, 2017.

Basis of Consolidation

Business Combinations Under Common Control

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

Business Combinations other than Under Common Control

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

The Group measures goodwill at the acquisition date as:

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

Subsidiaries

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

Non-controlling Interests

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

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

Transactions Eliminated on Consolidation

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

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

Use of Estimates and Judgments

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

Judgments

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

Assessing Joint Arrangements

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

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

As at December 31, 2016 and 2015, the cost of its investments in joint ventures amounted to P422.85 million and P485.46 million, respectively (see Note 11).

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

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

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

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

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

Rent expense recognized in profit or loss amounted to P2,228.83P million, P1,905.02 million and P1,669.92 million in 2016, 2015, and 2014, respectively (see Notes 21, 22 and 24).

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

Rent income recognized in profit or loss amounted to P379.27 million, P371.26 million and P356.99 million in 2016, 2015 and 2014, respectively (see Notes 22 and 23).

Estimates

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

Estimating Allowance for Impairment Losses on Receivables

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

The allowance for impairment losses on receivables amounted to P134.84 million and P149.68 million as at December 31, 2016 and 2015, respectively. The carrying amount of receivables amounted to P6,805.70 million and P5,648.13 million as at December 31, 2016 and 2015, respectively (see Note 6).

Estimating Net Realizable Value (NRV) of Inventories

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

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

The carrying amount of inventories amounted to P19,792.37 million and P16,740.69 million as at December 31, 2016 and 2015, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment

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

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

Depreciation and amortization recognized in profit or loss amounted to P1,627.40 million, P1,485.38 million and P1,322.07 million in 2016, 2015 and 2014, respectively (see Notes 21 and 24). Property and equipment, net of accumulated depreciation, amounted to P18,662.87 million and P16,136.87 million as at December 31, 2016 and 2015, respectively (see Note 12).

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

Amortization recognized in profit or loss amounted to P30.45 million, P26.29 million and P13.76 million in 2016, 2015 and 2014, respectively. Net carrying value of computer software and licenses and leasehold rights amounted to P256.67 million and P247.91 million million as at December 31, 2015 and 2014, respectively (see Note 14).

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

The carrying amounts of goodwill, trademark and customer relationships with indefinite useful lives amounted to P22,341.84 million and P22,310.16 million as at December 31, 2016 and 2015, respectively (see Note 14).

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

Retirement benefits liability amounted to P513.45 million and P479.82 million as at December 31, 2016 and 2015, respectively (see Note 27).

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

As at December 31, 2016 and 2015, the Group recognized provision amounting to P199.11 million and P148.03 million for LPC's deficiency income tax, input VAT and withholding taxes for taxable years 2005 and 2006.

3. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2017

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

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

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

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

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

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

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

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

Effective January 1, 2018

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

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

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

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

Effective January 1, 2019

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

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

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

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

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

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

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

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

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

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

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

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

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

Financial Assets at FVPL

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

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

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

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

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

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

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

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

The carrying amounts of financial assets under this category amounted to P35.11 million and P34.43 million as at December 31, 2016 and 2015, respectively (see Note 8).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

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

Intangible Assets and Goodwill

Goodwill

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

Intangible Assets

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

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

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

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

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

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

Deferred Oil and Mineral Exploration Costs

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

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

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

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

Impairment of Assets

Financial Assets

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

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

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

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

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

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

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

All impairment losses are recognized in profit or loss.

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

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

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

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

Employee Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Sale of Services*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2016**	2015
Cash on hand		**P874,642,602**	P781,359,016
Cash in banks	*32, 33*	**4,947,573,880**	3,538,525,193
Money market placements	*32, 33*	**6,812,247,472**	10,221,581,141
		P12,634,463,954	P14,541,465,350

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 1.00% to 2.30% in 2016 and from 1.00% to 2.30% in 2015. Interest income earned from cash in banks and money market placements amounted to P124.65 million and P119.01 million in 2016 and 2015, respectively.

5. Short-term Investments

These short-term investments are placements with a commercial banking institution, with maturity of more than 90 days. The Group, primarily the Retail and Real Estate segments, engage in investing activities in order to maximize earnings on available cash funds. These investments earn annual interest at the prevailing market rate of 1.0% to 2.50% and 1.5% to 1.875% in 2016 and 2015, respectively. Interest income earned from short-term investments amounted to P11.99 million and P15.72 million in 2016 and 2015, respectively.

Subsidiaries that are engaged in investing activities are as follows:

	Note	**2016**	2015
NRI		**P637,269,561**	P479,199,327
PPC		**161,039,964**	50,143,836
EPHI		**111,618,971**	32,612,815
	32, 33	**P909,928,496**	P561,955,978

6. **Receivables** - net

This account consists of:

	Note	**2016**	2015
Trade receivables	*a*	**5,003,918,823**	P4,386,520,928
Non-trade receivables	*b*	**1,831,822,616**	1,229,679,232
Others		**104,802,251**	181,617,188
		6,940,543,690	5,797,817,348
Less allowance for impairment losses on trade receivables from third parties	*a*	**134,839,272**	149,684,186
	32, 33	**P6,805,704,418**	P5,648,133,162

a. Majority of trade receivables pertain to credit card transactions which are due within 30 days or its normal credit period. The Group partners only with reputable credit card companies affiliated with major banks. Management believes that except for the accounts provided with allowance for impairment losses amounting to P134.84 million and P149.68 million as at December 31, 2016 and 2015, all other receivables are collectible and therefore, no additional allowance is necessary.

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

	2016	2015
Beginning balance	**P149,684,186**	P164,457,192
Provision for doubtful accounts recognized during the year	**-**	11,294,211
Write-off during the year	**(14,844,914)**	(26,067,217)
Ending balance	**P134,839,272**	P149,684,186

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

7. Inventories

This account consist of:

	Note	2016	2015
Merchandise inventory		**P16,762,355,399**	P13,223,019,684
Liquors, wines and spirits		**2,752,627,491**	3,262,108,809
LPG, autogas and LPG accessories		**277,383,234**	255,564,840
	21	**P19,792,366,124**	P16,740,693,333

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

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

Inventory charged to the cost of sales amounted to P106,363.60 million, P95,700.13 million and P80,565.76 million in 2016, 2015 and 2014, respectively (see Note 21).

8. Investments in Trading Securities

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

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

Cost	Note	2016	2015
Balance at beginning of year		**P15,355,998**	P14,518,906
Additions		**-**	837,092
Balance at end of year		**15,355,998**	15,355,998
Valuation Adjustments			
Balance at beginning of year		**19,076,593**	22,929,563
Unrealized valuation gain (loss) on financial assets at FVPL for the year	25	**676,435**	(3,852,970)
Balance at end of year		**19,753,028**	19,076,593
	33	**P35,109,026**	P34,432,591

9. Available-for-sale Financial Assets

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

	Note	2016	2015
Investment in debt securities	32	**P1,918,335**	P1,918,335
Investment in shares of stock		**6,280,974**	6,668,852
	33	**P8,199,309**	P8,587,187

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

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

Reserve for changes in value of AFS financial assets amounted to P4.59 million and P4.98 million as at December 31, 2016 and 2015, respectively.

In 2015, the Company redeemed part of the investment and received proceeds amounting to P4.00 million.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	**2016**	2015
Prepaid expenses		**P637,915,611**	P533,143,210
Input value added tax (VAT)		**550,875,990**	913,950,385
Advances to suppliers		**210,024,661**	308,934,145
Deferred input VAT	*16*	**137,736,290**	40,837,902
Creditable withholding tax		**63,839,530**	-
Others		**26,307,137**	11,207,961
		P1,626,699,219	P1,808,073,603

The details of prepaid expenses are as follows:

	Note	**2016**	2015
Rent	*22*	**P455,895,599**	P394,510,939
Taxes and licenses		**65,342,856**	64,648,390
Insurance		**64,880,857**	47,019,465
Supplies		**21,568,898**	-
Advances to contractors		**13,987,975**	16,160,000
Repairs and maintenance		**7,409,696**	5,818,365
Others		**8,829,730**	4,986,051
		P637,915,611	P533,143,210

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

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

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

11. Investments

This account consists of:

	Note	2016	2015
Investments in joint ventures	*b*	**P422,847,806**	P485,463,900
AFS financial assets	*a, 32, 33*	**7,879,160**	7,879,160
Investment in associates	*c*	**495,942,018**	495,846,580
		P926,668,984	P989,189,640

a. *AFS Financial Assets*

Retail

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

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

b. *Investments in Joint Ventures*

Retail

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

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

  The summarized financial information of PLCI follows:

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

** Incorporated on June 12, 2014.*

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

	2016	2015
Carrying amount	**P318,276,913**	P350,000,000
Share in net loss	**(61,281,006)**	(31,723,087)
	P256,995,907	P318,276,913

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

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

  The redeemable preferred shares shall have the following features:

  (a) Voting rights;

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

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

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

  The summarized financial information of AyaGold is as follows:

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

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

	2016	2015
Carrying amount	**P114,121,444**	P42,726,149
Additional investment	**-**	87,500,000
Share in net loss	**(3,770,817)**	(16,104,705)
	P110,350,627	P114,121,444

Specialty Retail

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

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

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

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

	2016	2015
Balance at beginning of year	**P55,165,767**	P57,728,944
Share in net income (loss)	**335,506**	(2,563,177)
Balance at end of year	**P55,501,273**	P55,165,767

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

	2016	2015
Assets	**P110,883,226**	P109,111,495
Liabilities	**4,132,995**	3,032,276
Net Assets	**106,750,231**	106,079,219
Revenues	**25,000,000**	22,000,000
Net income (loss)	**671,072**	(5,126,355)

c. *Investment in Associate*

Retail

San Roque Supermarkets or SRS

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

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

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

	2016	2015
Carrying Amount		
Balance at beginning of the year	**P426,572,570**	P390,896,877
Share in net income (loss)	**(2,147,656)**	35,675,693
	P424,424,914	P426,572,570

Specialty Retail

Peninsula Land Bay Realty Corporation or PLBRC

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

LPC accounted its investment in PLBRC under equity method.

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

	2016	2015
Balance at beginning of year	**P26,869,514**	P25,133,620
Share in net income	**1,737,327**	1,735,894
Balance at end of year	**P28,606,841**	P26,869,514

Holding

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

	2016	2015
Acquisition Cost	**P22,958,280**	P22,958,280
Accumulated share in results		
January 1	**17,345,992**	14,742,152
Share in net income	**2,605,990**	2,603,840
December 31	**19,257,982**	17,345,992
	P42,910,262	P40,304,272

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

	2016	2015
Assets	**P157,209,103**	P140,847,990
Liabilities	**14,174,901**	6,500,422
Net Assets	**143,034,202**	134,347,568
Revenues	**60,000,000**	60,000,000
Net income	**8,686,634**	8,679,465

12. Property and Equipment - net

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

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvement	Land	Construction-in-progress	Transportation Equipment	Wells, Platforms and Other Facilities	Storage Tanks	Total
Cost										
Balance as at January 1, 2015	P5,406,313,008	P1,713,588,815	P3,724,248,006	P5,326,384,296	P386,605,819	P186,940,748	P386,451,894	P204,955,281	P1,447,389,080	P18,782,876,947
Transfer in		101,245,684	264,808,649	107,455,093	-	-	-	-	-	473,509,426
Additions	330,039,947	152,426,417	456,437,262	709,885,803	17,134,337	635,324,272	73,184,822	-	41,017,544	2,415,450,404
Reclassifications	97,748,986	23,683,528	144,025,168	142,622,232	-	(408,079,914)	-	-	-	
Disposals	(196,429)	(3,714,059)	(14,682,613)	(2,935,742)	-	-	(1,259,450)	-	(8,690,266)	(31,478,559)
Adjustments		-	240,000	(219,721,241)	-	(142,136,607)	-	-	-	(361,617,848)
Balance as at December 31, 2015	5,833,905,512	1,987,230,385	4,575,076,472	6,063,690,441	403,740,156	272,048,499	458,377,266	204,955,281	1,479,716,358	21,278,740,370
Additions	266,930,752	174,606,373	763,005,627	579,213,374	938,721	2,008,553,567	76,862,168	-	39,190,672	3,909,301,254
Reclassifications	100,393,352	46,041,553	230,952,626	1,048,111,880	(24,869,686)	(1,141,618,128)	-	-	-	259,011,597
Disposals	-	(1,435,780)	(5,418,958)	(781,883)	-	-	(5,526,230)	-	-	(13,162,851)
Adjustments	-	(7,215,742)	(2,470,402)	(1,062,858)	-	-	(460,538)	(460,537)	-	(11,670,077)
Balance as at December 31, 2016	**6,201,229,616**	**2,199,226,789**	**5,561,145,365**	**7,689,170,954**	**379,809,191**	**1,138,983,938**	**529,252,666**	**204,494,744**	**1,518,907,030**	**25,422,220,293**
Accumulated Oepreciation										
Balance as at January 1, 2015	1,063,383,244	415,172,971	1,116,692,369	373,025,292	-	-	100,265,475	44,917,503	384,231,864	3,497,688,718
Transfer in	815,531	37,401,315	121,453,274	36,371,352	-	-	-	-	-	196,041,472
Depreciation and amortization	224,063,182	171,537,411	684,532,966	288,550,100	-	-	61,012,940	-	55,678,513	1,485,375,112
Adjustments	-	-	-	(31,077,718)	-	-	-	-	-	(31,077,718)
Reclassification	73,491	(24,615)	(1,231)	(47,645)	-	-	-	-	-	
Disposals/retirements	(147,321)	(1,396,138)	(2,627,625)	(251,911)	-	-	(385,634)	-	(1,346,362)	(6,154,990)
Balance as at December 31, 2015	1,288,188,127	622,690,944	1,920,049,753	666,569,470	-	-	160,892,781	44,917,503	438,564,015	5,141,872,594
Depreciation and amortization	237,539,579	176,729,893	724,002,729	354,347,982	-	-	77,510,582	-	57,270,256	1,627,401,021
Adjustments	-	-	(20,345)	-	-	-	(458,487)	(458,487)	-	(937,319)
Reclassification	-	186,558	(186,558)	-	-	-	-	-	-	-
Disposals/retirements	-	(140,758)	(3,108,077)	(206,115)	-	-	(5,526,230)	-	-	(8,981,180)
Balance as at December 31, 2016	**1,525,727,706**	**799,466,637**	**2,640,737,502**	**1,020,711,337**	-	-	**232,418,646**	**44,459,016**	**495,834,271**	**6,759,355,115**
Carrying amount										
December 31, 2015	P4,545,717,385	P1,364,539,441	P2,655,026,719	P5,397,120,971	P403,740,156	P272,048,499	P297,484,485	P160,037,778	P1,041,152,343	P16,136,867,778
Balance as at December 31, 2016	**P4,675,501,910**	**P1,399,760,152**	**P2,920,407,863**	**P6,668,459,617**	**P379,809,191**	**P1,138,983,938**	**P296,834,020**	**P160,035,728**	**P1,023,072,759**	**P18,662,865,178**

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

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

	Note	**2016**	2015	2014
Cost of sales and services	*21*	**P221,656,718**	P181,024,289	P109,230,216
Operating expenses	*24*	**1,405,744,303**	1,304,350,823	1,212,840,685
		P1,627,401,021	P1,485,375,112	P1,322,070,901

No impairment loss was recognized in 2016, 2015 and 2014.

13. Investment Properties

This account consists of:

	Building	Land	Construction-in-progress	Total
Cost				
Balance as at January 1, 2015	P5,484,284,568	P7,491,564,276	P354,529,274	**P13,330,378,118**
Additions	595,673,072	1,617,101,845	26,693,357	**2,239,468,274**
Adjustment	(19,187,181)	132,143	(310,714)	**(19,365,752)**
Balance as at December 31, 2015	6,060,770,459	9,108,798,264	380,911,917	**15,550,480,640**
Additions	99,912,633	401,205,247	224,253,170	**725,371,050**
Balance as at December 31, 2016	**6,160,683,092**	**9,510,003,511**	**605,165,087**	**16,275,851,690**
Accumulated Depreciation				
Balance as at January 1, 2015	556,481,228	(23,432)	-	556,457,796
Depreciation and amortization	150,889,861	-	-	150,889,861
Balance as at December 31, 2015	707,371,089	(23,432)	-	707,347,657
Depreciation and amortization	130,488,119	-	-	130,488,119
Balance as at December 31, 2016	**837,859,208**	**(23,432)**	-	**837,835,776**
Carrying amount				
Balance as at December 31, 2015	P5,353,399,371	P9,108,821,696	P380,911,917	P14,843,132,984
Balance as at December 31, 2016	**P5,322,823,884**	**P9,510,026,943**	**P605,165,087**	**P15,438,015,914**

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

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

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

The rental income earned by the Group from these properties amounted to P1,778.29 million, P1,848.04 million and P1,395.94 million in 2016, 2015 and 2014, respectively (see Note 23).

Direct costs incurred pertaining to the lease of these properties amounted to P910.37 million, P1,088.35 million and P933.65 million in 2016, 2015 and 2014, respectively (see Note 21).

14. Intangibles and Goodwill

This account consists of:

	Note	**2016**	2015
Goodwill	*a*	**P17,742,733,358**	P17,711,048,425
Trademark	*b*	**3,709,660,547**	3,709,660,547
Customer relationships	*b*	**889,452,981**	889,452,981
Computer software and licenses - net	*c*	**194,252,311**	181,723,275
Leasehold rights	*c*	**62,417,046**	66,184,796
		P22,598,516,243	P22,558,070,024

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

	Note	**2016**	2015
KMC		**P12,079,473,835**	12,079,473,835
LPC		**1,624,427,821**	1,624,427,821
OWI		**893,789,949**	893,789,949
Budgetlane Supermarkets	*a.1*	**838,524,672**	801,839,739
Gant Group of Companies Incorporated (Gant)		**742,340,804**	742,340,804
DCI and FLSTCI	*a.2*	**685,904,317**	690,904,317
NPSCC		**457,304,121**	457,304,121
Company E		**358,152,015**	358,152,015
CPHI		**51,432,111**	51,432,111
Puregold Junior Supermarket, Inc. (PJSI)		**11,370,121**	11,370,121
CHC		**9,450**	9,450
Merger of PJSI and Gant to PPCI		**4,142**	4,142
		P17,742,733,358	P17,711,048,425

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

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

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

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

Movement of goodwill is as follows:

Goodwill at acquisition date	P801,839,739
Fair value adjustments	36,684,933
Goodwill	**P838,524,672**

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

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

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

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

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

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

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

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

Movement of goodwill is as follows:

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

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

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

b. *Trademark and Customer Relationships*

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

Impairment of goodwill, trademark and customer relationship

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

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

c. *Leasehold Rights and Computer Software and Licenses*

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

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

	Computer Software	Leasehold Rights	Total
Cost			
Balance, January 1, 2015	P268,252,938	P75,355,005	**P343,607,943**
Transfer in	9,387,434	-	**9,387,434**
Additions	81,455,903	-	**81,455,903**
Adjustments	(51,867,660)	-	**(51,867,660)**
Balance, December 31, 2015	307,228,615	75,355,005	**382,583,620**
Additions	40,446,219	-	**40,446,219**
Adjustments	(1,230,006)	-	**(1,230,006)**
Balance, December 31, 2016	**346,444,828**	**75,355,005**	**421,799,833**
Accumulated Amortization			
Balance, January 1, 2015	102,983,020	5,402,458	**108,385,478**
Amortization	22,522,320	3,767,751	**26,290,071**
Balance, December 31, 2015	125,505,340	9,170,209	**134,675,549**
Amortization	26,687,177	3,767,750	**30,454,927**
Balance, December 31, 2016	**152,192,517**	**12,937,959**	**165,130,476**
Carrying Amount			
December 31, 2015	P181,723,275	P66,184,796	**P247,908,071**
December 31, 2016	**P194,252,311**	**P62,417,046**	**P256,669,357**

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

15. Deferred Oil and Mineral Exploration Costs

This account consists of:

	Note	Participating Interest	2016	2015
I. Oil exploration costs:				
SC 14	*a*			
Block C2 (West Linapacan)		1.53%	**P53,745,757**	P53,745,757
Block D		5.84%	**8,031,189**	8,031,189
Block B1 (North Matinloc)		13.55%	**1,969**	1,969
			61,778,915	61,778,915
SC 6A	*b*			
Octon Block		0.50%	**17,011,880**	16,598,157
North Block		1.57%	**600,419**	600,419
			17,612,299	17,198,576
SC 51	*c*	9.32%	**32,817,032**	32,817,032
SC 6B (Bonita)	*d*	2.11%	**8,027,418**	7,955,201
Other oil projects			**527,341**	527,341
			41,371,791	41,299,573
Balance at end of year			**120,763,005**	120,277,065
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**19,208,048**	19,208,048
Anoling gold project	*g*	3.00%	**13,817,415**	13,817,415
Gold projects	*h*	100.00%	**13,036,487**	13,036,487
Cement project	*i*	100.00%	**9,603,218**	9,603,218
Other mineral projects	*j, k*		**382,338**	382,338
			56,047,506	56,047,506
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:			**(56,092,352)**	(56,092,352)
Balance at end of year			**(44,846)**	(44,846)
III. Other deferred charges			**664,263**	664,263
Balance at end of year			**P121,382,422**	P120,896,482

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

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

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

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

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

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

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

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

b.) SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines

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

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

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

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

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

As at December 31, 2015, there were no further developments on the said project. In 2016, additional deferred charges amounting to P413,721 was capitalized.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2015, there were no further developments on the said project. In 2016, additional deferred charges amounting to P72,218 was capitalized.

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

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

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

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

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

f.) Exploration Permit Application No. 196-IVB - Nickel Project Rizal, Palawan

The declaration of Mount Mantalingaan as Palawan Protected Landscape gravely affected the surface extent of the applied area. From the original area of 2,477 hectares the net free area has been reduced to a mere 396 hectares or 15% of the original applied area.

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

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

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

g.) MPSA Application No. 039-XIII - Gold Project Anoling, Agusan Del Sur

The project, located in Agusan del Sur, has an area of 204 hectares. In November 2005, the Parent Company executed a Mines Operating Agreement (MOA) with Phsamed Mining Corporation (PHSAMED) whereby the latter assumes operatorship of the Anoling Project, including, among others, all rights, duties and obligations of the Parent Company as previous operator of the Anoling Project. In return, PHSAMED seeks the approval of MPSA and complies with all the work obligation on the area. Moreover, the Parent Company receives 3% royalty and 10% net profit interest share before income tax, depreciation and amortization of up to P11 million. The agreement has an initial term of ten (10) years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Other Noncurrent Assets

This account consists of:

	Note	**2016**	2015
Security deposits	*22, 32, 33*	**P1,531,843,159**	P1,615,471,291
Accrued rent income	*22*	**1,352,297,589**	1,030,272,916
Deferred Input VAT	*10*	**424,591,587**	213,521,889
Prepaid rent	*22*	**162,194,885**	157,038,886
Others		**87,627,117**	109,121,322
		P3,558,554,337	P3,125,426,304

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

17. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2016	2015
Trade payables	*32, 33*	**P6,301,050,236**	P7,728,859,726
Non-trade payables	*32, 33*	**2,166,709,157**	1,775,816,318
Dividends		**1,353,645,417**	932,741,912
Withholding taxes payable and other statutory payables		**570,872,841**	543,334,664
Deferred rent income	*32, 33*	**19,076,603**	1,631,358
Construction bonds	*32, 33*	**17,282,685**	14,966,307
Accrued expense	*32, 33*		
Manpower agency services		**561,727,984**	454,008,770
Tax assessments		**199,113,762**	148,034,009
Utilities		**99,604,604**	115,318,825
Rent		**63,481,123**	33,978,908
Professional fees		**61,104,033**	50,594,664
Fixed asset acquisition		**24,974,641**	4,886,038
Interest		**3,940,506**	5,165,690
Others	*32, 33*	**333,226,032**	365,852,680
		P11,775,809,624	P12,175,189,869

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

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

18. Loans Payable

As at December 31, 2016 and 2015, the Group has the following outstanding loans payable:

a. Short-term Loans Payable

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

Segment		2016	2015
Liquor	Short-term note based on 2.375%	**P245,000,000**	P729,000,000
Real estate	Short-term note based on 2.375%	**600,000,000**	400,000,000
Retail	Short-term note based on 2.5%	**1,220,000,000**	890,000,000
Retail	Short-term note based on 2.0%	**200,000,000**	-
Retail	Short-term note based on 2.125%	**450,000,000**	-
Retail	Short-term note based on 2.75%	**2,647,500,000**	2,247,500,000
		P5,362,500,000	P4,266,500,000

The Group issued and executed the following notes:

2016

Execution Date	Maturity Date	Interest Rate	Principal
November 25, 2016	**February 23, 2017**	**2.375%**	**P550,000,000**
February 3, 2016	**January 27, 2017**	**2.375%**	**500,000,000**
October 28, 2016	**January 26, 2017**	**2.500%**	**490,000,000**
February 1, 2016	**January 25, 2017**	**2.375%**	**467,500,000**
February 26, 2016	**February 20, 2017**	**2.500%**	**310,000,000**
October 14, 2016	**January 12, 2017**	**2.500%**	**300,000,000**
November 29, 2016	**February 27, 2017**	**2.375%**	**300,000,000**
December 6, 2016	**February 3, 2017**	**2.3750%**	**300,000,000**
November 15, 2016	**June 30, 2017**	**2.125%**	**250,000,000**
August 26, 2016	**January 27, 2017**	**2.000%**	**200,000,000**
October 25, 2016	**January 23, 2017**	**2.125%**	**200,000,000**
December 9, 2016	**April 7, 2017**	**2.3750%**	**200,000,000**
February 15, 2016	**February 8, 2017**	**2.375%**	**180,000,000**
August 15, 2016	**February 10, 2017**	**2.375%**	**180,000,000**
January 18, 2016	**January 11, 2017**	**2.375%**	**150,000,000**
December 13, 2016	**March 13, 2017**	**2.375%**	**150,000,000**
October 28, 2016	**January 26, 2017**	**2.125%**	**122,000,000**
February 9, 2016	**February 1, 2017**	**2.375%**	**120,000,000**
October 28, 2016	**January 26, 2017**	**2.500%**	**120,000,000**
December 16, 2016	**March 15, 2017**	**2.3750%**	**100,000,000**
December 12, 2016	**June 9, 2017**	**2.3750%**	**70,000,000**
November 8, 2016	**March 8, 2017**	**2.125%**	**53,000,000**
October 10, 2016	**April 7, 2017**	**2.375%**	**50,000,000**
			P5,362,500,000

2015

Execution Date	Maturity Date	Interest Rate	Principal
November 2, 2015	February 1, 2016	2.375%	P587,500,000
November 5, 2015	February 3, 2016	2.375%	500,000,000
August 7, 2015	February 4, 2016	2.500%	490,000,000
December 27, 2015	February 26, 2016	2.500%	400,000,000
December 14, 2015	March 14, 2016	2.375%	250,000,000
November 16, 2015	February 15, 2016	2.375%	240,000,000
December 9, 2015	January 7, 2016	2.375%	200,000,000
November 10, 2015	February 9, 2016	2.375%	150,000,000
December 17, 2015	January 18, 2016	2.375%	150,000,000
December 15, 2015	January 14, 2016	2.375%	100,000,000
October 5, 2015	January 4, 2016	2.375%	70,000,000
December 28, 2015	March 28, 2016	2.375%	67,000,000
December 21, 2015	March 21, 2016	2.375%	90, 000,000
December 18, 2015	March 17, 2016	2.375%	140,000,000
December 14, 2015	March 14, 2016	2.375%	50,000,000
December 3, 2015	March 2, 2016	2.375%	140,000,000
October 12, 2015	January 10, 2016	2.375%	75,000,000
October 8, 2015	January 6, 2016	2.375%	35,000,000
October 30, 2015	January 28, 2016	2.375%	32,000,000
August 13, 2015	August 8, 2016	2.375%	300,000,000
March 27, 2015	March 21, 2016	2.375%	100,000,000
December 17, 2016	March 17, 2016	2.375%	100,000,000
			P4,266,500,000

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

b. Long-term Loans Payable

As at December 31, the outstanding loans consist of:

	Note	**2016**	2015
Long-term loans by Parent	*b.1*	**P4,870,841,985**	P4,915,556,046
Long-term loans by Subsidiaries	*b.2*	**2,517,096,658**	4,397,562,298
		7,387,938,643	9,313,118,344
Less current portion		**164,433,702**	619,694,073
Noncurrent portion		**P7,223,504,941**	P8,693,424,271

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

	2016	2015
Loan Facilities (net of debt issuance costs)		
Fixed-Rate Peso Corporate Notes	**P4,870,841,985**	P4,915,499,368
Less current portion	**44,433,702**	44,643,125
	P4,826,408,283	P4,870,856,243

Movements in debt issuance costs are as follows:

	2016	2015
Balance at beginning of year	**P34,500,632**	P39,631,370
Amortization during the year	**5,342,617**	5,130,738
Balance at end of year	**P29,158,015**	P34,500,632

Repayment Schedule

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

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

As at December 31, 2015, the annual maturities of loans payable are as follows:

Year	Gross Amount	Debt Issuance Cost	Net
2016	P50,000,000	P5,342,617	P44,657,383
2017	50,000,000	5,566,298	44,433,702
2018	50,000,000	5,802,439	44,197,561
2019	50,000,000	6,051,734	43,948,266
More than 5 years	4,750,000,000	11,737,544	4,738,262,456
	P4,950,000,000	P34,500,632	P4,915,556,046

Financing of Capital Expenditures and Debt Obligations

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

Below are the terms of the loan facility:

Fixed-Rate Peso Corporate Notes

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

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

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

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

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

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

Interest expense from these loans recognized in profit or loss amounted to P243.81 million, P272.81 million and P170.49 million in 2016, 2015 and 2014, respectively.

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

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

Segment	**Unsecured Peso Denominated**	***Note***	**2016**	2015
Retail	Fixed rate note based on 3.5%	*i*	**P1,997,096,658**	P1,995,062,298
Retail	Fixed rate note based on 3.25%	*ii*	**120,000,000**	570,000,000
Retail	Fixed rate note based on 3.5%	*iii*	**400,000,000**	400,000,000
Real estate	Fixed rate note based on 4.5%	*iv*	**-**	1,432,500,000
			2,517,096,658	4,397,562,298
	Less current portion		**120,000,000**	570,000,000
			P2,397,096,658	P3,827,562,298

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

ii. On April 14, 2013, the PPCI signed and executed a two (2) year promissory note amounting to P963.70 million. The debt bears a 3.25% interest rate per annum and shall be repaid in a single payment on maturity. During 2016, a total of P450.00 million of the loan amount was already paid. The balance was renewed at 2.375% interest rate per annum and payable on January 4, 2017.

The movements in debt issue costs are as follows:

	2016	2015
Balance at beginning of the year	**P4,937,702**	P7,665,410
Amortization during the year	**(2,034,360)**	(2,727,708)
Balance at end of year	**P2,903,342**	P4,937,702

iii. On July 23, 2013, Kareila signed and executed a P500.00 million unsecured loan agreement with a local bank. The loan shall be repaid in lump sum after five (5) years. Its related interest is at 3.50% per annum. As at December 31, 2015, P100.00 million of the loan amount was already paid. No payment was made as at December 31, 2016.

Interest expense from these loans amounting to P75.44 million and P92.22 million were capitalized in 2016 and 2015 and recognized in building and leasehold improvements under property and equipment accounts (see Note 12). Remaining interest expense that was charged to profit and loss amounted to P97.16 million and P70.30 million in 2016 and 2015, respectively. In 2014, interest expense amounted to P47.26 million.

iv. On February 28, 2014, Ellimac obtained loan from Metrobank (MBTC) amounting to P1.45 billion which bears annual interest rate of 4.5%. The maturity date of the loan is January 21, 2021. In 2016, Ellimac paid the loan.

Interest expense incurred amounted to P4.71 million, P71.22 million, and P53.6 million in 2016, 2015 and 2014, respectively.

Repayment Schedule

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

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

19. Other Current Liabilities

This account as at December 31 consists of:

	Note	**2016**	2015
Deposits	*22, 32, 33*	**P274,329,511**	P227,049,204
Unredeemed gift certificates		**102,275,712**	89,430,184
Loyalty and rewards		**88,449,780**	15,100,407
Output VAT		**48,367,991**	46,178,424
Promotion fund		**13,402,740**	35,578,785
Others	*32, 33*	**15,717,207**	28,527,857
		P542,542,941	P441,864,861

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

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

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

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

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

20. Deposit for Future Subscriptions in a Subsidiary

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

21. Cost of Sales and Services

This account for the years ended December 31 consists of:

Cost of Sales

	2016	2015	2014
Beginning inventory	**P16,740,693,333**	P13,921,685,345	P10,354,718,168
Purchases/effect of business combination	**109,200,925,801**	96,061,701,003	83,597,776,467
Transfer-in	**-**	2,441,804,284	505,081,443
Overhead costs allocated to inventories	**37,815,369**	15,630,055	29,866,610
Total goods available for sale	**125,979,434,503**	112,440,820,687	94,487,442,688
Ending inventory	**19,792,366,124**	16,740,693,333	13,921,685,345
	P106,187,068,379	P95,700,127,354	P80,565,757,343

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

Cost of Services

	Note	2016	2015	2014
Utilities		**P383,927,575**	P399,620,044	P404,841,045
Depreciation	*12, 13*	**352,144,837**	331,914,150	232,954,811
Taxes and licenses		**84,482,827**	78,078,696	76,995,643
Security services		**73,719,678**	80,434,442	61,204,229
Repairs and maintenance		**46,692,404**	50,598,159	20,022,293
Management fees		**42,238,126**	27,815,951	20,478,748
Janitorial services		**39,514,823**	40,537,995	42,149,832
Rentals	*22*	**32,773,698**	41,627,446	49,234,603
Salaries and wages		**14,893,483**	15,712,851	7,316,378
Insurance		**8,791,994**	7,578,179	6,334,031
Operator services		**2,460,245**	2,540,607	1,543,076
Amusement tax		**1,943,205**	3,906,854	2,893,981
Retirement benefit cost		**169,838**	-	200,239
Others		**3,150,974**	7,989,242	7,483,664
		P1,086,903,307	P1,088,354,616	P933,652,573

22. Lease Agreements

<u>As Lessee</u>

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

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

Rent expense recognized in profit or loss amounted to P2,196.06 million, P1,863.39 million and P1,620.69 million in 2016, 2015, and 2014, respectively (see Note 24).

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

	2016	2015	2014
Due within one year	**P2,094,307,137**	P1,894,167,506	P1,726,091,499
Due more than one year but not more than five years	**8,825,322,493**	8,074,910,899	6,904,365,995
Due more than five years	**33,437,452,880**	32,850,125,381	27,617,463,980
	P44,357,082,510	P42,819,203,786	P36,247,921,474

As Lessor

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

Rent income recognized as part of "Other Operating Income" account in profit or loss amounted to P379.27 million, P371.26 million and P356.99 million in 2016, 2015 and 2014, respectively (see Note 23).

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

	2016	2015	2014
Due within one year	**P213,715,008**	P221,218,520	P245,144,093
Due more than one year but not more than five years	**257,952,124**	296,252,472	423,962,002
Due more than five years	**148,073,465**	167,316,410	414,448,300
	P619,740,597	P684,787,402	P1,083,554,395

23. Other Operating Income

This account for the years ended December 31 consists of:

	Note	**2016**	2015	2014
Concession income		**P1,517,079,129**	P1,386,647,815	P1,331,097,191
Display allowance		**615,884,283**	531,927,724	368,698,644
Rent income	22	**379,265,203**	371,262,459	356,990,187
Membership income		**399,965,999**	361,239,476	298,232,302
Service income		**151,203,463**	90,098,825	33,636,572
Listing fee		**70,254,459**	30,958,036	35,910,199
Demo/sampling income		-	8,554,355	8,553,169
Miscellaneous		**145,857,059**	143,986,945	129,643,302
		P3,279,509,595	P2,924,675,635	P2,562,761,566

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

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

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

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

Service income pertains to income generated from promotional activities.

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

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

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

24. Operating Expenses

This account for the years ended December 31 consists of:

	Note	**2016**	2015	2014
Rent	*22*	**P2,196,064,750**	P1,863,394,071	P1,620,693,313
Manpower- agency		**2,138,731,952**	1,820,179,108	1,596,554,761
Salaries and wages		**1,911,549,636**	1,674,066,021	1,307,315,271
Communication, light and water		**1,721,291,916**	1,644,044,377	1,583,193,799
Depreciation and amortization	*12,13, 14*	**1,436,199,230**	1,330,640,894	1,226,596,185
Outside services		**1,364,838,638**	1,188,291,950	988,197,398
Taxes and licenses		**575,971,976**	492,778,356	470,292,000
Concession expense		**477,641,920**	475,968,505	441,413,825
Store and office supplies		**483,352,199**	445,762,322	380,242,596
Repairs and maintenance		**402,930,266**	352,350,878	268,152,776
Advertising and marketing		**322,057,344**	274,977,146	269,785,785
Distribution costs		**203,529,935**	201,270,572	50,594,798
Insurance		**192,353,464**	163,068,478	140,846,298
Retirement benefits cost	*27*	**132,707,158**	111,792,434	80,023,347
Transportation		**130,391,751**	125,555,079	76,679,239
SSS/Medicare and HDMF contributions		**118,674,452**	102,633,946	84,189,783
Input VAT allocable to exempt sales		**93,802,537**	81,815,741	73,214,131
Representation and entertainment		**80,910,412**	126,298,314	90,229,663
Deficiency tax		**51,390,425**	-	34,966,423
Professional fee		**49,781,662**	31,205,873	54,962,652
Fuel and oil		**45,918,175**	42,815,321	56,336,084
Royalty expense	*26*	**42,220,356**	37,211,342	33,317,078
Provision for doubtful accounts	*6*	**-**	11,294,211	6,371,835
Others		**295,166,144**	278,263,377	196,225,959
		P14,467,476,298	P12,875,678,316	P11,130,394,999

25. Others

This account for the years ended December 31 consists of:

	Note	**2016**	2015	2014
Commission income		**P82,316,639**	P43,257,254	P50,370,662
Reimbursement of expenses		**789,989**	-	24,998,078
Unrealized valuation gain (loss) on trading securities	*8*	**676,435**	(3,852,970)	8,581,093
Gain (loss) on disposal of property and equipment		**377,031**	(3,886,703)	370,329
Share in results of associates and joint ventures	*11*	**(62,520,656)**	(9,135,023)	(10,925,730)
Bank charges		**(39,754,414)**	(30,148,560)	(7,829,860)
Foreign exchange loss		**(19,353,401)**	(18,854,978)	(48,073,684)
Gain on insurance claim		**-**	38,721,771	26,143,753
Parking fee		**-**	15,684,078	18,968,199
Miscellaneous		**79,686,769**	51,713,084	10,697,132
		P42,218,392	P83,497,953	P73,299,972

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

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

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

26. Related Party Transactions

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

Related Party	Year	*Note*	Amount of Transactions for the Year	Due from Related Parties	Due to Related Parties	Terms	Conditions
Officers							
▪ Advances	**2016**	***a***	**670,000,000**	**1,130,521**	**252,276,033**	Due and demandable; non-interest bearing	Unsecured
	2015	*a*	474,586,912	31,228,847	404,689,901		
Under Common Control							
▪ Advances	**2016**	***b***	**86,870,763**	**184,005,104**	**395,306,931**	Due and demandable; non-interest bearing	Unsecured
	2015	*b*	125,020,737	125,000,000	13,564,911		
▪ Rent expense	**2016**	***f***	**1,029,698**	**-**	**-**	Due and demandable; non-interest bearing	Unsecured
	2015	*f*	183,851,132	-	883,397		
Associates							
▪ Throughput fees	**2016**	***c***	**30,000,000**	**-**	**8,975,086**	Outstanding balance is settled in cash within a month after the end of each quarter; non-interest bearing	Unsecured
	2015	*c*	30,000,000	-	8,250,000		
▪ Concession expense	**2016**	***d***	**477,641,920**	**-**	**-**	Due and demandable; non-interest bearing	Unsecured
	2015	*d*	475,968,505	-	-		
Key Management Personnel							
▪ Royalty expense	**2016**	***e***	**42,220,356**	**-**	**33,776,623**	Due and demandable; non-interest bearing	Unsecured
	2015	*e*	37,211,342	-	29,769,412		
▪ Short-term benefits	2015		124,593,457	-	-		
Total	**2016**			**P185,135,625**	**P690,334,673**		
Total	2015			P156,228,847	P457,157,621		

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

a. Officers

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

b. Under Common Control

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

c. Throughput Agreement

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

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

d. Consignment and Concession

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

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

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

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

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

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

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

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

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

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

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

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

e. Royalty Agreement

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

f. Lease of Building

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

As at December 31, 2016 and 2015, receivables and payables amounting to P647.22 million and P522.17 million, respectively, were eliminated upon consolidation.

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

27. Retirement Benefit Costs

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

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

	2016	2015
Balance at January 1	**P504,824,597**	P458,436,122
Included in profit or loss		
Current service cost	**101,720,124**	86,588,109
Interest cost	**26,069,156**	20,149,944
Interest income on plan assets	**(1,244,980)**	(1,122,500)
Past service cost	**6,332,696**	-
	132,876,996	105,615,553
Included in other comprehensive income		
Remeasurements loss (gain):		
Changes in financial assumptions	-	-
Changes in demographic assumptions	-	-
Actuarial loss (gain) arising from:		
Financial assumptions	**(57,014,909)**	(45,061,039)
Experience adjustment	**(28,932,566)**	(14,833,001)
Return on plan assets excluding interest income	-	666,962
	(85,947,475)	(59,227,078)
Retirement benefits paid	**(13,566,899)**	(6,665,070)
Effect of business combination	**266,207**	-
Balance at December 31	**P538,453,426**	P504,824,597

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

	2016	2015
Present value of defined benefits obligation	**P538,453,426**	P504,824,597
Fair value of plan assets	**(25,000,000)**	(25,000,000)
Retirement benefits liability	**P513,453,426**	P479,824,597

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

	2016	2015
Current service cost	**P101,720,124**	P86,588,109
Interest expense on the defined benefit liability	**26,069,156**	20,149,944
Interest income on plan assets	**(1,244,980)**	(1,122,500)
Past service cost	**6,332,696**	-
	P132,876,996	P105,615,553

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

	2016	2015
Cumulative actuarial loss at beginning of year	**P11,906,398**	P71,133,477
Actuarial loss (gain) due to increase in defined benefit obligation	**(85,947,475)**	(59,227,079)
Cumulative actuarial loss at end of year	**(P74,041,077)**	P11,906,398

The cumulative actuarial gain (loss), net of deferred income taxes, amounted to P0.07 million and (P28.58) million as at December 31, 2016 and 2015, respectively, as presented in the consolidated statements of changes in equity.

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

	2016	2015
Discount rate	**5.38%**	4.89%
Future salary increases	**8.00%**	8.00%

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

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

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

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

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

2016

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

2015

	Increase	Decrease
Discount rate (1% movement)	P53,373,855	(P25,219,866)
Future salary increase rate (1% movement)	112,197,550	(89,643,511)

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

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

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

Maturity analysis of the benefit payments:

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

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

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

The Group has no expected future contribution for 2016.

28. Income Taxes

The income tax expense for the years ended December 31 consists of:

	2016	2015	2014
Current tax	**P2,842,062,802**	P3,017,788,210	P2,606,099,516
Deferred tax	**245,987,813**	(200,674,359)	(152,581,964)
	P3,088,050,615	P2,817,113,851	P2,453,517,552

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:

	2016	2015	2014
Income before income tax	**P10,557,444,879**	P9,804,355,883	P8,689,019,191
Income tax expense at the statutory income tax rate:			
30%	**P3,294,853,452**	P3,243,210,337	P2,750,847,690
5%	**15,845,014**	7,613,012	6,192,440
Income tax effects of:			
Nondeductible other expenses	**34,120,391**	1,301,016	31,329,842
Changes in unrecognized DTA	**10,997,736**	73,268,072	(5,357,424)
Non-deductible interest expense	**10,268,481**	10,158,679	2,249,699
Nondeductible expense	**1,145,715**	35,927,512	24,081,712
Dividend income exempt from final tax	**(223,048,389)**	(358,095,151)	-
Interest income subjected to final tax	**(31,600,265)**	(31,006,795)	(46,115,638)
Deduction from gross income due to availment of optional standard deduction	**(21,720,311)**	(23,198,957)	(15,340,024)
Share in net income of an associate	**(1,779,156)**	(790,878)	-
Non-taxable rental income	**(1,032,053)**	(94,823)	(817,522)
Recognition of unrecognized DTA	-	(113,767,674)	(97,647,259)
Expired MCIT	-	-	356,158
Capital gain/loss subjected to capital gains tax	-	-	(180,058)
Expired NOLCO	-	(10,859,687)	1,737,899
Non-taxable income-net subjected to final tax	-	(16,250,114)	(2,522,461)
Dividend income subjected to final tax	-	(300,698)	(195,297,502)
	P3,088,050,615	P2,817,113,851	P2,453,517,552

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

	2016 **DTA (DTL)**	2015 DTA (DTL)
Accrued rent expense	**P955,295,627**	P832,033,804
Retirement benefits liability	**183,909,675**	147,977,195
Allowance for impairment losses on receivables	**42,011,074**	50,752,456
Advanced rentals	**2,909,041**	487,307
NOLCO	**1,380,915**	201,333,651
Provision for gas cylinders	**510,000**	-
Unrealized foreign exchange loss	**500,142**	583,065
Recognition of DTA	**100,508**	126,818
Actuarial losses	**(499,957)**	-
Deferred rent income	**-**	27,541,101
Discounting of customers deposit	**-**	10,167,198
MCIT	**-**	2,259,650
Security deposit adjustment (asset)	**-**	1,690,878
DTA	**1,186,117,025**	1,274,953,123
Fair value of intangible assets from business combination	**(1,379,734,058)**	(1,379,734,058)
Accrued rent income	**(398,328,163)**	(276,606,476)
Remeasurement on retirement liability	**(22,278,016)**	-
Prepaid rent	**(20,136,265)**	(8,366,357)
Unrealized foreign exchange gain	**(988,284)**	(986,305)
Return on plan assets	**-**	(136,661)
Discounting of customers deposit	**-**	(24,246,082)
DTL	**(1,821,464,786)**	(1,690,075,939)
Net	**(P635,347,761)**	(P415,122,816)

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

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

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

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

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

29. Equity

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

Amount

	Note	**2016**	2015
Authorized	*1*	**P10,000,000,000**	P10,000,000,000
Issued and outstanding		**P7,405,263,564**	P7,405,263,564

Number of shares

	Note	**2016**	2015
Authorized - (2014 - P1 par value, 2013 - P1 par value)	*1*	**10,000,000,000**	10,000,000,000
Issued and outstanding		**7,405,263,564**	7,405,263,564
Treasury stocks		**(29,854,600)**	(19,347,300)
Balance at end of year		**7,375,408,964**	7,385,916,264

Capital Stock and Additional Paid-in Capital

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

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

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

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

Treasury Stocks
On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30 million shares within one year from the approval. On November 11, 2016, the Parent Company renewed its authority to buy back its shares for another one year. In 2016 and 2015, the Parent Company bought back 10,507300 and 19,347,300 shares with acquisition cost of P83.36 million and P154.04 million, respectively and was classified in the Parent Company's book as treasury shares. Additionally, in 2015, the Group through PPCI bought back 2,970,465 shares with acquisition cost of P33.85 million.

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

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

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

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

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

30. Segment Information

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

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

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

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

Segment Revenue and Results

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

	Segment Revenues			Segment Profit		
	2016	2015	**2014**	**2016**	2015	2014
Grocery retail	**P112,589,366,240**	P97,171,519,864	P84,697,390,792	**5,526,230,406**	P5,001,871,585	P4,520,457,686
Specialty retail	**10,461,156,443**	13,156,565,360	19,999,219,952	**337,934,906**	508,244,954	399,556,122
Liquor distribution	**5,903,677,147**	5,676,830,694	4,840,817,814	**581,362,070**	659,633,078	603,431,864
Real estate	**2,325,508,923**	2,422,603,792	2,191,485,129	**1,022,805,508**	1,027,890,831	970,581,457
Holding, oil and mining	**1,177,330**	1,986,833	102,607,934	**743,780,925**	973,987,044	662,115,862
Total	**131,280,886,083**	118,429,506,543	111,831,521,621	**8,212,113,815**	8,171,627,492	7,156,142,991
Eliminations	**2,094,684,921**	1,677,324,466	13,044,777,781	**742,719,551**	1,184,385,460	920,641,352
	P129,186,201,162	P116,752,182,077	P98,786,743,840	**P7,469,394,264**	P6,987,242,032	P6,235,501,639

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

	2016	2015
Grocery retail		
From external customers	**P112,589,366,240**	P97,171,519,864
From intersegment sales	-	-
	112,589,366,240	97,171,519,864
Specialty retail		
From external customers	**10,457,998,528**	13,156,470,401
From intersegment sales	**3,157,915**	94,959
	10,461,156,443	13,156,565,360
Real estate		
From external customers	**1,793,294,386**	1,848,044,359
From intersegment sales	**532,214,537**	574,559,433
	2,325,508,923	2,422,603,792
Liquor distribution		
From external customers	**4,344,364,678**	4,574,160,620
From inter-segment sales	**1,559,312,469**	1,102,670,074
	5,903,677,147	5,676,830,694
Holding, oil and mining		
From external customers	**1,177,330**	1,986,833
Total revenue from external customers	**P129,186,201,162**	P116,812,182,078
Total intersegment revenue	**P2,094,684,921**	P1,677,324,466

No single customer contributed 10% or more to the Group's revenue for the periods ended December 31, 2016 and 2015.

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:

	2016	2015
Segment Assets		
Grocery retail	**P65,382,713,756**	P58,861,264,793
Real estate	**22,855,130,710**	21,739,306,188
Specialty retail	**4,181,843,631**	4,171,650,104
Liquor	**5,357,379,977**	5,698,727,753
Holding, oil and mining	**97,291,932,288**	97,286,639,754
Total segment assets	**195,069,000,362**	187,757,588,592
Intercompany assets	**91,648,803,617**	90,140,762,805
Total assets	**P103,420,196,745**	P97,616,825,787
Segment Liabilities		
Grocery retail	**P22,211,135,127**	P20,448,048,031
Specialty retail	**1,295,232,233**	1,609,765,520
Real estate	**8,519,401,217**	8,122,868,508
Liquor	**2,196,680,419**	3,119,466,159
Holding, oil and mining	**9,338,028,613**	9,401,243,422
Total segment liabilities	**43,560,477,609**	42,701,391,640
Intercompany liabilities	**11,928,517,709**	10,628,524,250
Total liabilities	**P31,631,959,900**	P32,072,867,390

31. Basic/Diluted EPS Computation

Basic EPS is computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the Parent Company (a)	**P4,734,101,196**	P4,490,644,237	P4,026,866,478
Weighted average number of ordinary shares (b)	**7,136,692,757**	7,148,662,605	7,405,263,564
Basic/Diluted EPS (a/b)	**P0.663347**	P0.628180	P0.543784

As at December 31, 2016, 2015 and 2014, the Group has no dilutive debt or equity instruments.

32. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

Credit Risk

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

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

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

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

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

	Note	**2016**	2015
Cash in banks and cash equivalents	*4*	**P11,759,821,352**	P13,760,106,334
Short-term investments	*5*	**909,928,496**	561,955,978
Receivables - net	*6*	**6,805,704,418**	5,648,133,162
Due from related parties	*26*	**185,135,625**	156,228,847
Investment in debt securities	*9*	**1,918,335**	1,918,335
Security deposits	*16*	**1,531,843,159**	1,615,471,291
		P21,194,351,385	P21,743,813,947

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

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

	December 31, 2015					
	Neither	Past Due but not Impaired				
	Past Due nor Impaired	1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P13,760,106,334	P -	P -	P -	P -	P13,760,106,334
Short-term investments	561,955,978	-	-	-	-	561,955,978
Receivables - net	5,648,133,162	836,132,067	487,769,932	428,394,875	149,684,186	5,797,817,348
Due from related parties	156,228,847	-	-	-	-	156,228,847
Investment in debt securities	1,918,335	-	-	-	-	1,918,335
Security deposits	1,615,471,291	-	-	-	-	1,615,471,291
	P19,911,517,013	P836,132,067	P487,769,932	P428,394,875	P149,684,186	P21,893,498,133

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

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

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

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

Liquidity Risk

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

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

	As at December 31, 2016				
	Carrying Amount	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year - 5 Years**	**More than 5 Years**
Financial Liabilities					
Accounts payable and accrued expenses[1]	**P11,185,860,180**	**P11,185,860,180**	**P11,185,860,180**	**P -**	**P -**
Short-term loans payable	**5,362,500,000**	**5,362,500,000**	**5,362,500,000**	**-**	**-**
Due to related parties	**690,334,673**	**690,334,673**	**690,334,673**	**-**	**-**
Long-term debt including current portion	**7,223,504,941**	**8,791,070,886**	**454,197,714**	**2,467,119,953**	**5,869,753,219**
Other current liabilities[2]	**352,812,725**	**352,812,725**	**352,812,725**	**-**	**-**
Noncurrent accrued rent	**3,002,201,559**	**3,002,201,559**	**41,708,695**	**313,703,286**	**2,646,789,578**
	P27,817,214,078	**P29,384,780,024**	**P18,087,413,987**	**P2,780,823,239**	**P8,516,542,797**

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

	As at December 31, 2015				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses[1]	P11,631,855,205	P11,631,855,205	P11,631,855,205	P -	P -
Short-term loans payable	4,316,194,073	4,316,194,073	4,316,194,073	-	-
Trust receipts payable	5,182,021	5,182,021	5,182,021	-	-
Due to related parties	457,157,621	457,157,621	457,157,621	-	-
Long-term debt including current portion	9,263,424,271	10,967,360,822	1,002,876,746	2,099,555,556	7,864,928,520
Other current liabilities[2]	255,577,061	255,577,061	255,577,061	-	-
Noncurrent accrued rent	2,492,888,910	2,492,888,910	18,684,176	272,574,829	2,201,629,905
	P28,422,279,162	P30,126,215,713	P17,687,526,903	P2,372,130,385	P10,066,558,425

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

Interest Rate Risk

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

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

	Note	**2016**	2015
Financial assets			
Cash in banks	*4*	**P4,947,573,879**	P3,538,525,193
Money market placement	*5*	**6,812,247,472**	10,221,581,141
Short-term investments	*4*	**909,928,496**	561,955,978
		12,669,749,847	14,322,062,312
Financial Liability			
Notes payable		**12,750,438,643**	13,579,618,344
		(P80,688,796)	P742,443,968

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

Foreign Currency Risk

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

The Group's foreign currency denominated assets as at December 31, 2016 and 2015 follow:

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

	As at December 31, 2015				
Currency	Current Assets	Current Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	6,832,249	17,372,854	(10,540,605)	47.06	(P496,040,871)
EUR	143,322	499,322	(356,000)	51.74	(18,419,440)
AUD	-	183	(183)	34.27	(6,271)
SGD	-	89,641	(89,641)	33.52	(3,004,766)
	6,975,571	17,962,000	(10,986,429)		(P517,471,348)

Sensitivity Analysis

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

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

Capital Management

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

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

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

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

33. Financial Instruments

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

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

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

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

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

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

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

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

Short and Long-term Loans including Current Maturities

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

Fair Value Hierarchy

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

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

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

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

34. Event Subsequent to Reporting Date

On March 14, 2017, the BOD approved the merger of Goldtempo, DCI and FLSTClinto PPCI. As of report date, the Group is in the process of completing its application with the SEC.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2016 and 2015, included in this Form 17-A, and have issued our report thereon dated March 31, 2017.

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 Group'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

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the 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-A, Group A, valid until April 30, 2017
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 5904948MD
Issued January 3, 2017 at Makati City

March 31, 2017
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2017 SCES
ELMER B. TANAY

ANNEX "C"

COSCO CAPITAL, INC. AND SUBSIDIARIES
SEC Supplementary Schedules and Other Documents
December 31, 2016

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SCHEDULE A. FINANCIAL ASSETS

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Cash and cash equivalents	-	P12,634,463,954	P12,634,463,954	136,641,504
Short-term investments	-	909,928,496	909,928,496	-
Receivables-net	-	6,805,704,418	6,805,704,418	-
Investments in trading securities	966,324	35,109,026	35,109,026	824,830
Available-for-sale financial assets-current	822,165	8,199,309	8,199,309	-
Available-for-sale financial assets-non-current	-	7,879,160	7,879,160	-
Due from related parties	-	185,135,625	185,135,625	-
Security deposits	-	1,531,843,159	1,531,843,159	-
	1,788,489	**P22,118,263,147**	**P22,118,263,147**	**P137,466,334**

ATTACHMENT TO SCHEDULE A's INVESTMENT IN TRADING SECURITIES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

Name of issuing entity	Number of shares	Value Based on Market Quotation at End of Reporting Period
Investment in trading securities		
Philex Petroleum Corporation	696,824	P32,202,301
GMA PDR	20,000	671,000
PNB	10,000	546,000
Metrobank	15,000	503,250
RCBC	10,000	335,500
Natl. Reinsurance Co. of the Phil.	5,000	273,000
Aboitiz Power	5,000	273,000
Philex Mining Corp.	200,000	154,000
Banco de Oro	4,500	150,975
	966,324	**35,109,026**
Available-for-sale financial assets		
Manila Electric Company	726,166	7,261,660
JG Summit Holdings	88,000	5,953,200
Puregold Properties Inc.	-	1,687,500
Aboitiz	7,800	552,240
Tower Club Shares	-	617,500
Ayala Land	199	P6,369
	822,165	**16,078,469**
	1,788,489	**P51,187,495**

SCHEDULE C. AMOUNTS RECEIVABL_ FROM RELATED PARTIES W..ICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

Name and designation of debtor (i)	Balance at the beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not current	Balance at end of period
Advances							
Meritus Prime Distributions, Inc.	P481,000,000	P15,020,398	P446,020,398	P-	P50,000,000	P-	P50,000,000
Montosco, Inc.	1,010,297,220	234,024,998	720,322,217	-	524,000,000	-	524,000,000
Premier Wine and Spiritis, Inc.	191,000,000	-	-	-	191,000,000	-	191,000,000
Ellimac Prime Holdings, Inc.	2,004,571,914	1,539,686,924	53,151	-	3,544,205,687	-	3,544,205,687
Fertuna Holding Corporation	104,440,647	-	-	-	104,440,647	-	104,440,647
Patagonia Holdings Corp.	917,808,125	-	-	-	917,808,125	-	917,808,125
Nation Realty, Inc.	300,965,922	-	-	-	300,965,922	-	300,965,922
118 Holdings, Inc.	107,121,853	-	-	-	107,121,853	-	107,121,853
Liquigaz Philippine Corporation	13,911	-	-	-	13,911	-	13,911
Calor Philippine Holdings, Inc.	36,105,431	531,766	-	-	36,637,197	-	36,637,197
Offiec Warehouse, Inc.	1,518,569	-	-	-	1,518,569	-	1,518,569
Canaria Holdings Corporation	3,429,215,443	-	-	-	3,429,215,443	-	3,429,215,443
Alcorn Petroleum and Minerals Corporation	394,257,953	1,715,604	-	-	395,973,557	-	395,973,557
Fertuna Holdings Corp.	15,000,000	-	-	-	15,000,000	-	15,000,000
Kareila Management	-	700,000,000	200,000,000	-	500,000,000	-	500,000,000
NE Pacific Shopping Centers Corp.	-	61,925	53,151	-	8,774	-	8,774
	8,993,316,988	**2,491,041,615**	**1,366,448,917**	**-**	**10,117,909,685**	**-**	**10,117,909,685**
Dividends							
Puregold Price Club, Inc.	423,103,355	423,103,355	423,103,355	-	423,103,355	-	423,103,355
NE Pacific Shopping Centers Corporation	50,000,000	50,000,000	25,000,000	-	75,000,000	-	75,000,000
Nation Realty, Inc.	50,000,000	50,000,000	50,000,000	-	50,000,000	-	50,000,000
Patagonia Holdings Corp.	100,000,000	50,000,000	-	-	150,000,000	-	150,000,000
Ellimac Prime Holdings, Inc.	50,000,000	50,000,000	-	-	100,000,000	-	100,000,000
Fertuna Holdings Corp.	50,000,000	50,000,000	-	-	100,000,000	-	100,000,000
Pure Petroleum Corporation	50,000,000	50,000,000	-	-	100,000,000	-	100,000,000
Montosco, Inc.	50,000,000	-	50,000,000	-	-	-	-
Meritus Pirme Distributions, Inc.	50,000,000	-	50,000,000	-	-	-	-
Premier Wine and Spirits, Inc.	100,000,000	-	-	-	100,000,000	-	100,000,000
	973,103,355	**723,103,355**	**598,103,355**	**-**	**1,098,103,355**	**-**	**1,098,103,355**

Name and designation of debtor (i)	Balance at the beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not current	Balance at end of period
Trade and Other Receivables							
Puregold Price Club, Inc.	521,875,723	2,091,527,006	2,150,847,773	-	462,554,956	-	462,554,956
Meritus Prime Distributions, Inc.	-	29,100,000	-	-	29,100,000	-	29,100,000
Montosco, Inc.	-	67,900,000	-	-	67,900,000	-	67,900,000
Premier Wine and Spiritis, Inc.	-	42,500,000	-	-	42,500,000	-	42,500,000
Nation Realty, Inc.	-	42,500,000	-	-	42,500,000	-	42,500,000
	521,875,723	**2,273,527,006**	**2,150,847,773**	**-**	**644,554,956**	**-**	**644,554,956**
	P10,488,296,066	**P5,487,671,976**	**P4,115,400,045**	**P-**	**P11,860,567,996**	**P-**	**P11,860,567,996**

SCHEDULE D. INTANGIBLE ASSETS-OTHER ASSETS

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions(deductions) (iii)	Ending balance
Goodwill	P17,711,048,425	P-	P-	P-	P31,684,933	P17,742,733,358
Trademark	3,709,660,547	-	-	-		3,709,660,547
Customer relationships	889,452,981	-	-	-		889,452,981
Computer software and licenses-net	181,723,275	40,446,219	(26,687,177)		(1,230,006)	194,252,311
Leasehold rights	66,184,796		(3,767,750)			62,417,046
	P22,558,070,024	**P40,446,219**	**(P30,454,927)**	**P-**	**P30,454,982**	**P22,598,516,243**

SCHEDULE E. LONG TERM DEBT

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
Short-term loans payable		P5,362,500,000	P -
Current portion of long-term borrowing		164,433,702	-
Long-term loans payable - net of debt issue costs		-	7,223,504,941
		P5,526,933,702	**P7,223,504,941**

ATTACHMENT TO SCHEDULE E LONG TERM DEBT

Type	Outstanding Balance
Short-term	
Short-term note based on 2.375%	P845,000,000
Short-term note based on 2.5%	1,220,000,000
Short-term note based on 2.0%	200,000,000
Short-term note based on 2.125%	450,000,000
Short-term note based on 2.75%	2,647,500,000
	P5,362,500,000
Current portion of long-term borrowing	
Fixed rate note based on 3.25%	P120,000,000
Corporate Notes based on 5.2667% and 5.579%	44,433,702
	P164,433,702
Long-term loans payable - net of debt issue costs	
Corporate Notes based on 5.2667% and 5.579%	P4,826,408,283
Fixed rate note based on 3.5%	1,997,096,658
Fixed rate note based on 3.5%	400,000,000
	P7,223,504,941

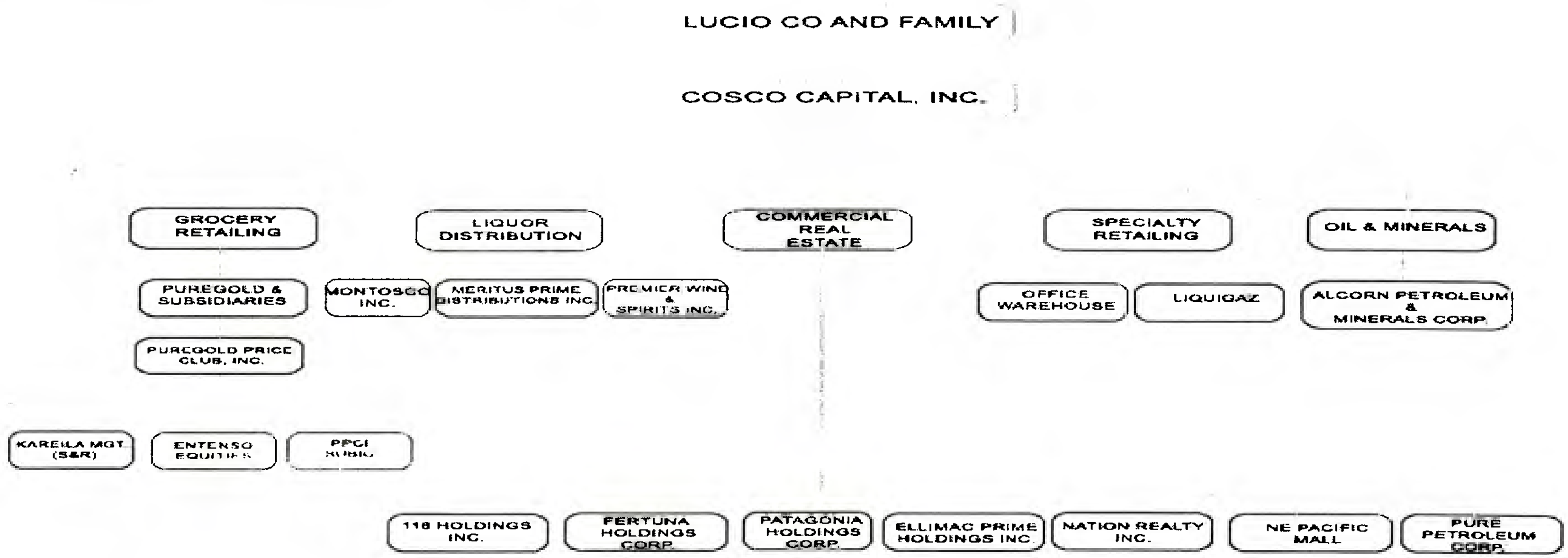
SCHEDULE H. CAPITAL STOCK

(In Philippine Peso)

Title of Issue (i)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
COMMON STOCK	10,000,000,000	7,405,263,564				

- On June 28, 2007, the BOD approved the increase in authorized capital stock from P700,000,000 to P3,000,000,000 divided into 300 billion common shares with the same rights and privileges and with a par value of P0.01 per share. On the same date, the BOD approved the issuance of up to 5% of the authorized capital stock of the Company to qualified employees and persons through an Employees Stock Ownership Plan.
- On June 8, 2010, the SEC approved the Company's application to increase its authorized capital stock as discussed above. During 2011, upon implementation of the capital increase, 25% of the additional P2.3 billion was subscribed through private placement and P100 million of which was subscribed through stock rights offering.
- On April 22, 2013, the SEC approved the increase in capital stock from P3,000,000,000 divided into 300,000,000,000 shares with par value of P0.01 each, to P10,000,000,000 shares with par value of P1.00 each. On the same date, the SEC approved the increase in capital stock of seven billion shares.
- As at December 31, 2014 and 2013, number of shares issued and outstanding totaled 7,405,263,564. Additional paid-in capital amounted to P79,827,987,885 in 2014 and 2013.
- The Company has not yet implemented the stock option plan to qualified employees as at December 31, 2014 and 2013.
- On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. On November 2, 2015, the Parent Company renewed its authority to buy back its shares for another one year. As at December 31, 2016 and 2015, the Parent Company already bought back 29,854,600 and 19,347,300 shares with acquisition cost of P241,610,495 and P158,006,227, respectively and was classified in the Parent Company's book as treasury shares.

SCHEDULE I: CONGLOMERATE MAP



On March 25, 2014, the BOD approved the merger of the Parent Company with Company E Corporation (Company E, entity under common control). It was then ratified by at least two-thirds (2/3) votes of the stockholders on May 13, 2014 during the annual stockholders' meeting with salient features. The Parent Company's application was filed on September 19, 2014 and is still awaiting approval from SEC and Department of Justice.
The merger of Nation Realty, Inc., Go Fay & Co, Inc., SVF Corporation and 999 Shopping Mall, Inc. (Nation Realty, Inc. as the absorbing entity), was approved by SEC on January 29, 2014.

Cosco Capital, Inc. finalized the acquisition of the outstanding shares of Office Warehouse, Inc. pursuant to agreement to purchase signed on February 18, 2014. Office Warehouse, Inc.

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

COSCO CAPITAL INC.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2016**		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	✔		
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			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39		✓	
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			✓
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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			✓
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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)	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Consolidated 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			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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			✓
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		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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			✓
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	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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		✔	

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.*

SCHEDULE K. FINANCIAL SOUNDNESS INDICATOR

(In Philippine Peso)

Indicator	As of December 31, 2016	As of December 31, 2015	Formula
CURRENT RATIO	**2.14**	2.07	Current assets / Current liabilities
CASH RATIO	**0.64**	0.76	Cash and cash equivalents / Current liabilities
DEBT-TO-EQUITY RATIO	**0.44**	0.49	Total liabilities / Total equity
DEBT-TO-ASSET RATIO	**0.31**	0.33	Total liabilities / Total assets
ASSET-TO-EQUITY RATIO	**1.44**	1.49	Total assets / Total equity
INTEREST RATE COVERAGE RATIO	36.28	23.98	Earnings before interest and taxes / Interest expense
NET INCOME MARGIN	**0.06**	0.06	Net income / Net revenues
INVESTMENT RATIO	**0.01**	0.01	Total investment and advances / Total assets
RETURN ON ASSETS	**0.07**	7.45	Net income / Average total assets
EARNINGS PER SHARE	**0.66**	0.63	Net income / Weighted average number of ordinary shares

COSCO CAPITAL, INC.
900 Romualdez Street, Paco, Manila
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

		(Figures based on functional currency audited financial statements)
Unappropriated Retained Earnings, beginning		**P397,574,840**
Adjustment in previous year's reconciliation		**(161,969,717)**
Unappropriated Retained Earnings, as adjusted, beginning		**P235,605,123**
Net Income based on the face of AFS	P740,229,579	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustments 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 PFRS	-	
Deferred tax benefit expense	(146,550)	
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 actually earned during the year		**740,083,029**
Add (less):		
Dividend declarations during the year	(590,032,717)	
Appropriations of Retained Earnings during the year	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	(83,604,268)	
		66,446,044
Unappropriated Retained Earnings, as adjusted, ending		**P302,051,167**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2017 1st Quarter Report

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

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

2. Commission identification number: 147669

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

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

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

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

Republic of the Philippines

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

7. Address of registrant's principal office:

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

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

(632) 524-9236 or 38

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

ALCORN GOLD RESOURCES, CORPORATION

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

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

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

Yes [/] No [ ]

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

12. Indicate by check mark whether the registrant:

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

Yes[/] No [ ]

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

Yes [/] No [ ]

I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

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

II. KEY PERFORMANCE INDICATORS

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

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

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

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

III. RESULTS OF OPERATION

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

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

Growth in Revenues

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

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

Growth in Net Income

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

Grocery Retail Segment

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

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

Real Estate Segment

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

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

Liquor Distribution Segment

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

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

Specialty Retail Segment

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

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

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

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

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

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

Gross Profit

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

Other Operating Income

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

Gross Operating Income

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

Operating Expenses

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

Other Expense - net

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

Net Income

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

Commercial Real Estate

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

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

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

Liquor Distribution

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

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

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

Specialty Retail

Office Warehouse

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

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

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

Liquigaz

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

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

IV. FINANCIAL CONDITION

Consolidated Statements of Financial Position

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

(In Millions)	2017	%	2016	%	INCREASE (DECREASE)	%
ASSETS						
Current Assets						
Cash and cash equivalents	**5,681**	*5.65%*	12,634	*12.22%*	**-6,954**	*-55.04%*
Receivables - net	**5,765**	*5.74%*	6,806	*6.5[illegible]%*	**-1,047**	*-15.38%*
Available-for-sale financial assets	**9**	*0.01%*	8	*0.01%*	**1**	*15.05%*
Short-term investments	**922**	*0.92%*	910	*0.88%*	**12**	*1.31%*
Investment in trading securities	**37**	*0.04%*	35	*0.03%*	**2**	*4.59%*
Inventories	**20,660**	*20.56%*	19,792	*19.14%*	**868**	*4.38%*
Due from related parties	**186**	*0.18%*	185	*0.18%*	**1**	*0.33%*
Prepayments and other current assets	**2,307**	*2.30%*	1,627	*1.59%*	**680**	*41.80%*
	35,566	*35.39%*	41,998	*40.61%*	**-6,431**	*-15.33%*
Noncurrent Assets						
Property and equipment - net	**19,815**	*19.72%*	18,663	*18.05%*	**1,152**	*6.17%*
Investment properties - net	**15,697**	*15.62%*	15,438	*14.93%*	**259**	*1.68%*
Intangible assets	**22,607**	*22.50%*	22,599	*21.85%*	**9**	*0.04%*
Investments	**928**	*0.92%*	927	*0.90%*	**1**	*0.15%*
Deferred oil and mineral exploration costs	**122**	*0.12%*	121	*0.1[illegible]%*		*0.23%*
Deferred tax assets - net	**122**	*0.12%*	117	*0.1[illegible]%*	**6**	*4.97%*
Other non-current assets	**5,635**	*5.61%*	3,559	*3.44%*	**2,077**	*58.36%*
	64,928	*64.61%*	61,423	*59.3[illegible]%*	**3,505**	*5.71%*
TOTAL ASSETS	**100,494**	*100.00%*	103,420	*100.00%*	**-2,926**	*-2.84%*
LIABILITIES AND EQUITY						
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	**7,359**	*7.32%*	11,776	*11.39%*	**-4,417**	*-37.51%*
Income tax payable	**1,686**	*1.68%*	1,102	*1.07%*	**584**	*52.97%*
Short-term loans payable	**4,668**	*4.64%*	5,363	*5.19%*	**-695**	*-12.96%*
Current portion of long-term borrowing	**166**	*0.17%*	164	*0.16%*	**1**	*0.85%*
Due to related parties	**644**	*0.64%*	690	*0.67%*	**-46**	*-6.66%*
Other current liabilities	**421**	*0.42%*	543	*0.52%*	**-122**	*-22.41%*
	14,944	*14.87%*	19,638	*18.99%*	**-4,694**	*-23.90%*
Noncurrent Liabilities						
Retirement benefit cost	**513**	*0.51%*	513	*0.50%*	**-1**	*-0.14%*
Deferred tax liabilities	**738**	*0.73%*	752	*0.7[illegible]%*	**-14**	*-1.89%*
Long term loans payable - net of debt issue cost	**7,224**	*7.19%*	7,224	*6.98%*	**1**	*0.01%*
Deposits for future stock subscription	**150**	*0.15%*	150	*0.15%*	**-**	*0.00%*
Non-current accrued rent	**2,978**	*2.96%*	2,910	*2.81%*	**68**	*2.33%*
Other non-current liabilties	**475**	*0.47%*	445	*0.43%*	**30**	*6.65%*
	12,077	*12.02%*	11,994	*11.60%*	**83**	*0.69%*
TOTAL LIABILITIES	**27,021**	*26.89%*	31,632	*30.59%*	**-4,611**	*-14.58%*
EQUITY						
Capital stock	**7,405**	*7.37%*	7,405	*7.[illegible]%*	**-**	*0.00%*
Additional paid-in capital	**9,635**	*9.59%*	9,635	*9.3[illegible]%*	**-**	*0.00%*
Remeasurement of retirement liability - net of tax	**1**	*0.00%*	1	*0.00%*		*0.29%*
Reserve for fluctuations in value of AFS financial assets	**6**	*0.01%*	5	*0.00%*	**1**	*26.87%*
Treasury shares	**-524**	*-0.52%*	-524	*-0.51%*		*0.00%*
Retained earnings	**34,857**	*34.69%*	33,809	*32.69%*	**1,048**	*3.10%*
Total Equity Attributable to Equity Holders of Parent Company	**51,380**	*51.13%*	50,330	*48.67%*	**1,050**	*2.09%*
Non-controlling interest	**22,093**	*21.98%*	21,458	*20.75%*	**635**	*2.96%*
TOTAL EQUITY	**73,473**	*73.11%*	71,788	*69.41%*	**1,685**	*2.35%*
TOTAL LIABILITIES AND EQUITY	**100,494**	*100.00%*	103,420	*100.00%*	**-2,926**	*-2.83%*

Current Assets

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

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

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

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

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

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

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

Non-current Assets

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

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

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

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

Current Liabilities

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

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

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

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

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

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

Noncurrent Liabilities

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

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

V. SOURCES AND USES OF CASH

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

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

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

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

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

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

VI. MATERIAL EVENTS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

PART II--OTHER INFORMATION

Disclosure not made under SEC Form 17-C - None

SECTION A

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

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As at March 31, 2017 and December 31, 2016

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For the Periods Ended March 31, 2017 and 2016

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COSCO CAPITAL, INC. AND SUBSIDIARIES

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LPC

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

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

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

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

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

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

Calor

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

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

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

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

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

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

Basis of Consolidation

Business Combinations Under Common Control

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

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

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

Functional and Presentation Currency

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

Use of Estimates and Judgments

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

Judgments

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

Assessing Joint Arrangements

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

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

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

Distinction between Investment Property and Property and Equipment

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

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

Assessment of Computer Software and Licenses and Leasehold Rights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Goodwill, Trademarks and Customer Relationships with Indefinite Lives

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

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

Estimating Retirement Benefits/Obligation

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

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

Estimating Provisions and Contingencies

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

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

3. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2017

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

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

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

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

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- *PFRS 9 Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

- *PFRS 15 Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services.* The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Deferral of the local implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate

- Philippine Interpretation IFRIC 15 *Agreements for the Construction of Real Estate* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11 *Construction Contracts*, or PAS 18 *Revenue*, and the timing of revenue recognition.

  The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

<u>Financial Instruments</u>

Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes directly attributable transaction costs.

Subsequent to initial recognition, the Group classifies its financial assets into the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets, and loans and receivables. The Group classifies its financial liabilities as either FVPL financial liabilities or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of the Group's financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group had no HTM investments and FVPL financial liabilities as at March 31, 2017 and December 31, 2016.

Financial Assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL and those classified under this category through the fair value option.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition at FVPL or reclassified under this category through fair value option, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group carries financial assets at FVPL using fair values. Fair value changes and realized gains and losses are recognized as part of profit or loss.

The Group's investments in trading securities are classified under this category.

The carrying amounts of financial assets under this category amounted to P36.72 million and P35.11 million as at March 31, 2017 and December 31, 2016, respectively
(see Note 8).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or FVPL financial assets.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Group's cash and cash equivalents, short-term investments, receivables, due from related parties and security deposits are included in this category (see Notes 4, 5 and 6).

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income. Dividends earned on holding AFS equity securities are recognized as income when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include investments in unquoted equity instruments which are carried at cost less impairment, if any, since the fair value cannot be determined reliably in the absence of an observable market data on the related assets.

Other Financial Liabilities
This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Group's accounts payable and accrued expenses, short-term loans and long-term loans payable, due to related parties, trust receipts payable, other current liabilities and noncurrent accrued rent are included in this category (see Notes 17, 18 and 19).

Debt Issue Costs
Debt issue costs are considered as directly attributable transaction costs upon initial measurement of the related debt and are subsequently considered as an adjustment to the amortized cost and effective yield of the related debt using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statements of financial position.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Inventories

Inventories is stated at the lower of cost and NRV. Cost is determined using the moving average method. Costs comprise of purchase price, including duties, transport and handling costs, and other incidental expenses incurred in bringing the merchandise inventory to its present location and condition.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Investments in Joint Ventures and Associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control on an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an enterprise in which the investor has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

The Group's investments in joint ventures and associates are accounted for under the equity method of accounting. Under the equity method, investments in joint ventures and associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investments in joint ventures and associates after the date of acquisition. The Group's share in profit or loss of the joint ventures and associates are recognized in the Group's profit or loss. Dividends received from the investments in joint ventures and associates reduce the carrying amount of the investments.

Investment in a Joint Operation
A joint arrangement is classified as joint operations when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognizes its share in the results of the joint arrangement aside from the compensation from the use of its land and building. The Group has no capital commitments or contingent liabilities in relation to its interests in joint arrangements.

Property and Equipment
Property and equipment, excluding land and construction in progress, are carried at cost less accumulated depreciation, amortization and impairment losses, if any. Land is carried at cost. Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized in profit or loss.

Wells, platforms and other facilities comprising oil and gas property represents the Company's share in the Service Contract (SC) 14's total capitalized exploration and development expenditures. They are amortized using the unit-of-production method based upon estimates of proven developed reserves. Proven developed reserves are the portion of reserves that are reasonably certain to be produced and sold during the remaining period of existing production licenses and agreements. The effect of revisions of previous estimates of proved developed reserves is taken up prospectively in the unit-of-production calculation.

Estimates of decommissioning and abandonment costs, which are accrued based on unit-of-production rate, which depends on approved budget and reserve estimates, are also included in the wells, platforms and other facilities account as these costs are treated as recoverable costs to be deducted from oil sales proceeds prior to remittance of government share as indicated in the agreement among Consortium members under the SC.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	Number of Years
Building	15 - 30
Wells, platforms and other facilities	25
Furniture and fixtures	2 - 20
Office and store equipment	2 - 15
Transportation equipment	3 - 5
Leasehold improvements	15 - 20 or term of the lease, whichever is shorter

The useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Investment Properties

Investment properties consist of properties such as building held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes, is initially measured at cost. The cost of investment property includes purchase price and directly attributable expenditure on preparing the asset for its intended use. Subsequent to initial recognition, investment property is carried at cost less depreciation and impairment loss.

Construction-in-progress is carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation of building is computed using the straight-line method over 50 years.

The useful lives, residual values and method of depreciation of the assets are reviewed and adjusted if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner's occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner's occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Intangible Assets and Goodwill

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see policy on basis of consolidation. Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

The Group assessed the useful life of trademark and customer relationship to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Trademark and customer relationship with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Computer software and licenses and leasehold rights are separately acquired by the Group that has finite useful life is measured at cost less accumulated amortization and impairment losses, if any.
Subsequent costs are capitalized only when they increase the future economic benefits embodied in the capitalized software to which they relate. All other expenditures are recognized in profit or loss when incurred.

The amortization is computed using the straight-line method over the estimated useful life of the capitalized software from the date it is available for use and amortized over five (5) years. Leasehold rights are amortized on a straight-line basis over the lease period of twenty (20) years. The estimated useful life and the amortization method of an intangible asset with finite useful life are reviewed at each reporting date.

Deferred Oil and Mineral Exploration Costs
Deferred oil and exploration costs are accounted for using the full-cost method, where all acquisition, exploration and development costs are capitalized as deferred costs when incurred and on the basis of each contract area. Where oil and gas of commercial quantity is produced, the exploration and development costs are reclassified to and capitalized as wells, platforms and other facilities under the "Property and equipment" account. Producing and non-producing contract areas are evaluated periodically and considering a number of factors, a determination is made whether it is probable that a significant impairment of the carrying cost of deferred oil and mineral exploration costs of each contract area has occurred. If impairment is believed to have occurred, a further analysis is performed to determine the impairment to be recorded for specific contract areas.
If the Company abandons all exploration efforts in a contract area where there are no proven reserves, all acquisition and exploration costs associated with the contract area are recognized in profit or loss. A contract area is considered abandoned if the contract has expired and/or there are no definite plans for further exploration and development.

Proceeds from the sale of crude oil lifted from an area under production testing during the exploration stage are applied against deferred oil exploration costs.

Expenditures for mineral exploration and development work are capitalized as deferred costs when incurred. These expenditures are provided for with an allowance for impairment when there are indications that the exploration results are negative. These are recognized in profit or loss when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the exploration costs and subsequent development costs are capitalized and amortized using the unit of production method from the start of commercial operations.

Impairment of Assets

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the assets does not exceed its amortized cost at the reversal date.

AFS Financial Assets

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

All impairment losses are recognized in profit or loss.

Non-financial Assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Employee Benefits

Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Cost
The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, if any.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Deposits for Future Stocks Subscription
Deposit for future stocks subscription represents deposits from stockholders which will be applied against subscriptions to shares of stock of the Company. This is recognized as a liability if it does not meet all the elements of an equity instrument.

Capital Stock
Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital
The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution
Retained earnings include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Dividend distribution to the Group's shareholders is recognized as a liability, and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

Treasury Stock
Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares of stock are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is charged to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares of stock were issued and to retained earnings for the remaining balance.

Other Comprehensive Income
Other comprehensive income are items of income and expense (including reclassification adjustments, if any) such as remeasurements of defined benefit plans that are not recognized in profit or loss as required or permitted by the related accounting standards.

Revenue and Expense Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

- *Sale of Goods* is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

- *Sale of Services*

  Rent Income is recognized on a straight-line basis over the lease term.

  Concession Income pertains to the fixed percentage income from sales of concessionaire supplier's goods sold inside the store. The income is recognized when earned.

  Membership Income refers to fees from members wherein such fees permit only membership, and all other services or products are paid for separately. The fee is recognized as revenue when no uncertainty as to its collectability exists.

  Production Lifting Revenue is recognized at the time of oil lifting on an entitlement basis where revenue is allocated and distributed among the joint venture partners and the Philippine Government based on the participating interest in a specific contract area.

  Interest Income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.

  Dividends are recognized when the Group's right as a shareholder to receive the payment is established.

  Other Income from display, demonstration or sampling, endcap or palette income, merchandise support and miscellaneous income are recognized when earned.

Cost of Sales
Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the cost of storing and transporting the products (i.e., freight costs or trucking costs, cross-dock delivery fees, and other direct costs). Vendor returns and allowances are generally deducted from cost of merchandise sold.

Cost of Services
Cost of services pertains to direct expenses incurred for the lease of investment properties. This primarily includes repairs and maintenance, real property taxes, depreciation, utilities and other related expenses.

This also includes services incurred in relation to the management of such investment properties.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

Borrowing Costs
Borrowing costs are recognized as expenses when incurred, except to the extent capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Income Taxes
Current Tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" in the consolidated statements of financial position.

<u>Leases</u>
Group as Lessee
Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.
Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising from foreign currency transactions are recognized in profit or loss.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 30 to the consolidated financial statements. The Chief Executive Officer (the "chief operating decision maker") reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8, are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Provisions and Contingencies

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after retroactive adjustment for stock dividend declared in the current period, if any. Diluted EPS is also computed in the same manner as the aforementioned, except that, the net income and the number of common shares outstanding is adjusted for the effects of all potential dilutive debt or equity instruments.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2017**	2016
Cash on hand		**P651,838,333**	P874,642,602
Cash in banks	*32, 33*	**2,643,712,586**	4,947,573,880
Money market placements	*32, 33*	**2,385,319,206**	6,812,247,472
		P5,680,870,125	P12,634,463,954

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 1.00% to 2.30% in 2017 and from 1.00% to 2.30% in 2016.

5. Short-term Investments

These short-term investments are placements with a commercial banking institution, with maturity of more than 90 days. The Group, primarily the Retail and Real Estate segments, engage in investing activities in order to maximize earnings on available cash funds. These investments earn annual interest at the prevailing market rate of 1.0% to 2.50% and 1.5% to 1.875% in 2017 and 2016, respectively.

Subsidiaries that are engaged in investing activities are as follows:

	Note	**2017**	2016
NRI		**P639,061,200**	P637,269,561
PPC		**161,039,964**	161,039,964
EPHI		**121,736,984**	111,618,971
	32, 33	**P921,838,148**	P909,928,496

6. Receivables - net

This account consists of:

	Note	2017	2016
Trade receivables	*a*	**4,043,404,134**	5,003,918,823
Non-trade receivables	*b*	**1,616,436,595**	1,831,822,616
Others		**233,900,268**	104,802,251
		5,893,740,997	6,940,543,690
Less allowance for impairment losses on trade receivables from third parties	*a*	**(34,839,272**	134,839,272
	32, 33	**P5,758,901,725**	P6,805,704,418

a. Majority of trade receivables pertain to credit card transactions which are due within 30 days or its normal credit period. The Group partners only with reputable credit card companies affiliated with major banks. Management believes that except for the accounts provided with allowance for impairment losses amounting to P134.84 million as at March 31, 2017 and December 31, 2016, all other receivables are collectible and therefore, no additional allowance is necessary.

The movements in the allowance for impairment losses in respect of trade receivables are as follows:

	2017	2016
Beginning balance	**P134,839,272**	P149,684,186
Write-off during the year	**-**	(14,844,914)
Ending balance	**P134,839,272**	P134,839,272

b. Non-trade receivables represent the amounts due from tenants in relation to rentals of store spaces. This account also includes due from suppliers with respect to "demo" or "sampling" conducted by suppliers' representatives and strategic locations granted to suppliers with regard to the display of their products in the selling area of the stores. It also includes advances to employees which are collected by the Group through salary deduction.

7. Inventories

This account consist of:

	Note	2017	2016
Merchandise inventory		**P17,840,164,236**	P16,762,355,399
Liquors, wines and spirits		**2,687,665,797**	2,752,627,491
LPG, autogas and LPG accessories		**132,188,791**	277,383,234
	21	**P20,660,018,824**	P19,792,366,124

Merchandise inventory consists of groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, office supplies etc.) held for sale in the ordinary course of business on wholesale and retail basis.

Inventory cost as at March 31, 2017 and December 31, 2016 is lower than NRV.

Inventory charged to the cost of sales amounted to P26,629.91 million and P23,673.66 million in 2017 and 2016, respectively (see Note 21).

8. Investments in Trading Securities

The investments in trading securities represent the Group's investments in marketable securities that are traded in the PSE. The fair values of these listed shares are based on their closing market prices as at reporting dates.

The movements and balances of these investments in trading securities are as follows:

Cost	***Note***	**2017**	2016
Balance at beginning of year		**P15,355,998**	P15,355,998
Additions		**-**	-
Balance at end of year		**15,355,998**	15,355,998
Valuation Adjustments			
Balance at beginning of year		**19,753,028**	19,076,593
Unrealized valuation gain (loss) on financial assets at FVPL for the year	*25*	**1,610,045**	676,435
Balance at end of year		**21,363,073**	19,753,028
	33	**P36,719,071**	P35,109,026

9. Available-for-sale Financial Assets

Details of AFS financial assets as at December 31 are as follows:

	Note	**2017**	2016
Investment in debt securities	*32*	**P1,918,335**	P1,918,335
Investment in shares of stock		**7,515,253**	6,280,974
	33	**P9,433,588**	P8,199,309

Investments in debt securities represent investments in bonds and preference shares of a listed company and are readily marketable at the option of the Group.

Investments in shares of stocks represent investments in marketable securities that are traded in the PSE. The fair values of these listed shares are based on their closing market prices as at reporting dates.

Reserve for changes in value of AFS financial assets amounted to P5.83 million and P4.59 million as at March 31, 2017 and December 31, 2016, respectively.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2017	2016
Prepaid expenses		**P980,924,270**	P637,915,611
Input value added tax (VAT)		**941,969,195**	550,875,990
Advances to suppliers		**298,958,465**	210,024,661
Deferred input VAT	*16*	**1,033,978**	137,736,290
Creditable withholding tax		**72,021,332**	63,839,530
Others		**11,956,634**	26,307,137
		P2,306,863,874	P1,626,699,219

Input VAT represents accumulated input taxes from purchases of goods and services for business operation and purchases of materials and services for the building and leasehold construction which can be applied against future output VAT.

Advances to suppliers pertain to advanced payments made to suppliers prior to the delivery or shipment of goods. These include advances to foreign suppliers which were denominated in foreign currency.

Deferred input VAT represents accumulated input taxes for purchases of capital assets more than P1.0 million and unbilled services for the building and leasehold construction which can be applied against future output VAT.

11. Investments

This account consists of:

	Note	2017	2016
Investments in joint ventures	*b*	**P423,093,005**	P422,847,806
AFS financial assets	*a, 32, 33*	**7,879,160**	7,879,160
Investment in associates	*c*	**497,068,193**	495,942,018
		P928,040,358	P926,668,984

a. *AFS Financial Assets*

Retail

- AFS financial assets pertain to Tower Club shares amounting to P617,500 and Meralco preferred shares amounting to P7,261,660 which is acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Retail segment.

  The AFS Financial assets pertaining Tower Club is carried at cost since the fair value cannot be determined reliably in the absence of an observable market data on these related assets.

b. Investments in Joint Ventures

Retail

- On June 12, 2014, the Group through PPCI entered into a joint venture agreement with Lawson Asia Pacific Holdings Pte. Ltd. and Lawson, Inc. (Lawson), both engaged in the operation of convenience stores in Japan and other Asian countries, to establish PG Lawson Company, Inc. (PLCI), a joint venture company that will operate convenience stores in the Philippines.

  The Group subscribed a total of 350,000,000 common shares at P100.00 par value for a total investment of P350 million representing a 70% interest while Lawson subscribed to a total of 1,500,000 common shares at P100.00 par value for a total investment of P150 million or 30% interest in the joint venture.

  The summarized financial information of PLCI follows:

	2016	2015
Current assets	**P206,676,729**	P400,307,281
Noncurrent assets	**272,316,662**	145,084,817
Current liabilities	**98,552,558**	86,708,140
Noncurrent liabilities	**7,804,447**	4,002,655
Total equity	**372,636,386**	535,215,424
Income	**67,478,676**	55,408,813
Pre-operating expenses	**193,910,829**	95,675,874
Net loss	**87,544,295**	40,267,061

  ** Incorporated on June 12, 2014.*

  The carrying amount of its investment and its share in the losses of PLCI follow:

	2017	2016
Carrying amount	**P256,995,907**	P318,276,913
Share in net loss	**-**	(61,281,006)
	P256,995,907	P256,995,907

- On July 8, 2013, the Group through PPCI entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold), for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as both parties may agree. AyaGold was incorporated in the Philippines on July 8, 2013 and is expected to start operations in 2015.

  Both parties subscribed to 6,000,000 common shares and 54,000,000 redeemable preferred shares each with a par value of P1.00 for a total investment of P60 million representing 50% interest each to the joint venture.

The redeemable preferred shares shall have the following features:

(a) Voting rights;

(b) Participating in dividends declaration for common shares and may be entitled to such dividends as may be determined and approved by the Board of Directors;

(c) Entitled to receive out of the assets of the joint venture available for distribution to the parties, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution; and

(d) Redeemable at the option of the joint venture.

The summarized financial information of AyaGold is as follows:

	2016	2015
Current assets	**P128,836,435**	P107,026,560
Noncurrent assets	**167,581,943**	186,094,527
Current liabilities	**76,158,776**	65,319,851
Total equity	**220,259,602**	227,801,236
Revenues	**99,008,504**	36,910,296
Net loss	**106,550,140**	82,535,165
	7,541,636	31,929,071

The carrying amount of its investment and its share in the losses of AyaGold follow:

	2017	2016
Carrying amount	**P110,350,627**	P114,121,444
Additional investment	**-**	-
Share in net loss	**-**	(3,770,817)
	P110,350,627	P110,350,627

Specialty Retail

- On December 15, 2000, LPC entered into a joint venture agreement with Total Petroleum Philippines Corporation or "TPPC" *[presently known as Total (Philippines) Corporation]* to establish a joint venture corporation to be known as Mariveles Joint Venture Corporation or "MJVC". The primary purpose of MJVC is to manage, operate and maintain jetties and equipment installed for its benefit and/or for the benefit of owners/operators of storage facilities for oil products and/or liquefied petroleum gas and loading facilities and all related equipment; own, manage, operate, upgrade and maintain ancillary facilities dedicated for the common use by the users of the storage facilities, liquefied petroleum gas storage tanks, loading facilities and all related equipment; and perform consultancy, supervision and management services concerning the development and/or redevelopment of jetties and the upgrading of equipment and dedicated ancillary facilities installed.

  LPC and TPPC subscribed 160,049 common shares each from the issued and outstanding capital stock of MJVC. Consequently, LPC and TPPC each own 50% of the outstanding capital stock of the MJVC.

LPC assessed the nature of its joint arrangement in MJVC and determined it to be joint venture and used equity method of accounting.

The carrying amount of LPC's investment and its share in results of MJVC as at and for the year ended March 31, 2017 and December 31, 2016 are presented below:

	2017	2016
Balance at beginning of year	**P55,501,273**	P55,165,767
Share in net income (loss)	**245,199**	335,506
Balance at end of year	**P55,746,472**	P55,501,273

The financial information of MJVC as at March 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Assets	**116,222,333**	P110,883,226
Liabilities	**4,568,925**	4,132,995
Net Assets	**111,653,408**	106,750,231
Revenues	**7,000,000**	25,000,000
Net income (loss)	**707,764**	671,072

c. *Investment in Associate*

Retail

San Roque Supermarkets or SRS

On December 4, 2013, the Group through PPCI acquired equity interest in San Roque Supermarkets (SRS) for a total cost of P371,896,077. SRS is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

On October 31, 2014, the Group through PPCI subscribed and paid additional one hundred ninety thousand eight (190,008) common shares from the unissued capital stock of the SRS for total cost of P19,000,800.

The carrying amount of SRS's investment and its share in results of SRS in 2017 and 2016 are presented below:

	2017	2016
Carrying Amount		
Balance at beginning of the year	**P424,424,914**	P426,572,570
Share in net income (loss)	**-**	(2,147,656)
	P424,424,914	P424,424,914

Specialty Retail

Peninsula Land Bay Realty Corporation or PLBRC

On June 24, 1998, LPC subscribed 15,475 shares in the common stock issued and outstanding of PLBRC. The subscribed shares represent twenty percent (20%) equity interest in PLBRC. PLBRC is primarily engage in the business of acquiring, developing and leasing real estate properties to its related parties. Thirty percent (30%) of its outstanding capital stock is owned by La Defense Filipinas Holdings Corporation, another thirty percent (30%) is owned by CPHI, while the remaining twenty percent (20%) is owned by Total (Philippines) Corporation.

LPC accounted its investment in PLBRC under equity method.

The carrying amount of LPC's investment and its share in results of PLBRC in 2016 and 2015 are presented below:

	2017	2016
Balance at beginning of year	**P28,606,841**	P26,869,514
Share in net income	**1,351,711**	1,737,327
Balance at end of year	**29,958,552**	P28,606,841

Holding

Investment in an associated company represents the CPHI's 30% equity in PLBRC which consists of:

	2017	2016
Acquisition Cost	**P22,958,280**	P22,958,280
Accumulated share in results		
January 1	**19,257,982**	17,345,992
Share in net income	**135,526**	2,605,990
December 31	**19,393,508**	19,257,982
	P42,351,788	P42,910,262

The financial information of PLBRC as at December 31, 2016 and 2015 are as follows:

	2016	2015
Assets	**P157,209,103**	140,847,990
Liabilities	**14,174,901**	6,500,422
Net Assets	**143,034,202**	134,347.568
Revenues	**60,000,000**	60,000,000
Net income	**8,686,634**	8,679,465

12. Property and Equipment - net

The movements and balances of this account as at and for the years ended December 31 consist of:

	Building	Furniture and Fixtures	Office and store equipment	Leasehold improvement	Land	Construction-in-progress	Transportation equipment	Wells, platforms and other facilities	Storage tanks	Total
Cost										
Balance as at January 1, 2016	P5,833,905,512	P1,987,230,385	P4,575,076,472	P6,063,690,441	P403,740,156	P272,048,499	P458,377,267	P204,955,281	P1,479,716,358	**P21,278,740,371**
Transfer in										
Additions	266,930,752	174,606,373	763,005,627	579,213,374	938,721	2,008,553,567	76,862,168		39,190,672	**3,909,301,254**
Reclassifications	100,393,352	46,041,553	230,952,626	1,048,111,880	(24,869,686)	(1,141,618,128)				**259,011,598**
Disposals		(1,435,780)	(5,418,958)	(781,883)			**(5,526,230)**			**(13,162,851)**
Adjustments		(7,215,742)	(2,470,402)	(1,062,858)			(460,537)	(460,537)		**(11,670,076)**
Balance as at December 31, 2016	6,201,229,616	2,199,226,790	5,561,145,365	7,689,170,954	379,809,191	1,138,983,938	529,252,667	204,494,744	1,518,907,030	**25,422,220,296**
Transfer in										
Additions	92,115,307	100,988,144	142,249,558	228,451,061		990,716,622	37,442,093		4,716,926	**1,596,679,710**
Reclassifications	141,152,124			(47,498,292)		(93,653,832)				
Disposals		(9,609,951)	(36,158,732)	(13,238,104)						**(59,006,787)**
Adjustments			8,983,290							**8,983,290**
Balance as at March 31, 2017	**6,434,497,047**	**2,290,604,983**	**5,676,219,481**	**7,856,885,619**	**379,809,191**	**2,036,046,728**	**566,694,760**	**204,494,744**	**1,523,623,956**	**26,968,876,509**
(Forwarded)										
Accumulated Depreciation										
Balance as at January 1, 2015	1,288,188,127	622,690,944	1,920,049,753	666,569,470			160,892,782	44,917,503	438,564,015	**5,141,872,594**
Transfer in										
Depreciation and amortization	237,539,579	176,729,893	724,002,729	354,347,982			**77,510,582**		**57,270,256**	**1,627,401,022**
Adjustments			(20,345)				(458,487)	**(458,487)**		**(937,319)**
Reclassification		186,558	(186,558)							
Disposals/Retirements		(140,757)	(3,108,076)	(206,115)			(5,526,230)			**(8,981,178)**
Balance as at December 31, 2016	1,525,727,706	799,466,637	2,640,737,503	1,020,711,337			232,418,647	44,459,016	495,834,272	6,759,355,118
Transfer in										
Depreciation and amortization	62,587,903	46,426,163	195,744,930	106,318,837			23,432,682		14,599,887	**449,110,402**
Adjustments										
Reclassification			2,663	(2,663)						
Disposals/Retirements		(9,485,208)	(32,588,010)	(12,806,141)						**(54,879,359)**
Balance as at March 31, 2017	**P2,424,723,202**	**P836,407,592**	**P2,603,897,085**	**P1,114,221,370**	**P**	**P**	**P255,851,329**	**P44,459,016**	**P510,434,158**	**P7,153,586,161**
Carrying amount										
Balance, December 31, 2016	P4,675,501,910	P1,399,760,153	P2,920,407,862	P6,668,459,617	P379,809,191	P1,138,983,938	P296,834,020	P160,035,728	P1,023,072,758	**P18,662,865,178**
Balance, March 31, 2017	**P4,009,773,845**	**P1,454,197,391**	**P2,872,322,396**	**P6,742,664,248**	**P379,809,191**	**P2,036,046,728**	**P310,843,431**	**P160,035,728**	**P1,013,189,798**	**P19,815,290,348**

Transfer-in pertains to property and equipment of acquired and merged entities upon its acquisition as mentioned in Note 1. The adjustments resulted from the evaluation made by the Parent Company to its subsidiaries' property and equipment. The Group's assets were aligned with Parent Company's asset recognition policy. Assets were either recorded into its proper classification or expensed if it did not meet the criteria of capitalization.

Depreciation and amortization charged to profit and loss are as follows:

	Note	**2017**	2016
Cost of sales and services	*21*	**P37,445,542**	P34,543,773
Operating expenses	*24*	**403,263,113**	356,053,736
		P440,708,655	P390,599,525

No impairment loss was recognized in 2017 and 2016.

13. Investment Properties

This account consists of:

	Building	Land	Construction-in-progress	Total
Cost				
Balance as at January 1, 2016	P6,060,770,459	P9,108,798,264	P380,911,917	**P15,550,480,639**
Additions	99,912,633	401,205,247	224,253,169	**725,371,050**
Adjustment	9,004,701			**9,004,701**
Transfer			(9,004,701)	**(9,004,701)**
Balance as at December 31, 2016	6,169,687,793	9,510,003,511	596,160,385	**16,275,851,689**
Additions	14,782,308	220,152,487	63,225,071	**298,159,866**
Adjustment	(669,746)			**(669,746)**
Transfer			(4,660,714)	**(4,660,714)**
Balance as at March 31, 2017	**P6,183,800,355**	**P9,730,155,998**	**P654,724,741**	**P16,568,681,095**
Accumulated Depreciation				
Balance as at January 1, 2015	P707,371,088	(P23,432)	-	**P707,347,656**
Depreciation and amortization	130,488,119	-	-	**130,488,119**
Balance as at December 31, 2015	837,859,207	(23,432)	-	**837,835,775**
Depreciation and amortization	33,526,021	-	-	**33,526,021**
Balance as at March 31, 2017	**P871,385,228**	**(P23,432)**	**-**	**P871,361,796**
Carrying amount				
Balance as at December 31, 2016	P5,331,828,586	P9,510,026,943	P596,160,385	**P15,438,015,914**
Balance as at March 31, 2017	**P5,312,415,127**	**P9,730,179,430**	**P654,724,741**	**P15,697,319,298**

All depreciation expense are charged to cost of services (see Note 21).

As at March 31, 2017 and December 31, 2016, the fair value of the investment properties amounted to P23.5 billion based on independent appraisals obtained in 2012. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively. Management believes that the appraisal in 2012 is still applicable for disclosure purposes as at December 31, 2016 as there are no significant changes in the condition of its land and building. The fair values of the land and buildings are determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively, which is categorized as Level 2 under the fair value hierarchy.

Fair value adjustment pertains to the difference of book value and fair market value of the investment properties of NPSCC. In both years, the aggregate fair values of NPSCC's properties amounted to P993.88 million. The fair values are based on the appraisal report by an independent appraiser using the Cost and Market Data Approaches (see Note 14).

The rental income earned by the Group from these properties amounted to P419.57 million and P389.40 million in 2017 and 2016, respectively (see Note 23).

Direct costs incurred pertaining to the lease of these properties amounted to P264.35 million and P232.38 million in 2017 and 2016, respectively (see Note 21).

14. Intangibles and Goodwill

This account consists of:

	Note	**2017**	2016
Goodwill	*a*	**17,742,182,885**	P17,742,733,358
Trademark	*b*	**3,709,660,547**	3,709,660,547
Customer relationships	*b*	**889,452,981**	889,452,981
Computer software and licenses - net	*c*	**204,631,004**	194,252,311
Leasehold rights	*c*	**61,475,108**	62,417,046
		22,607,402,525	P22,598,516,243

a. *Goodwill*

The goodwill represents the excess of the total acquisition cost over the fair value of the identifiable assets and liabilities assumed on the acquisitions made by the Group.

	Note	**2017**	2016
KMC		**P12,079,473,835**	P12,079,473,835
LPC		**1,624,427,821**	1,624,427,821
OWI		**893,789,949**	893,789,949
Budgetlane Supermarkets	*a.1*	**837,974,199**	838,524,672
Gant Group of Companies Incorporated (Gant)		**742,340,804**	742,340,804
DCI and FLSTCI	*a.2*	**685,904,317**	685,904,317
NPSCC		**457,304,121**	457,304,121
Company E		**358,152,015**	358,152,015
CPHI		**51,432,111**	51,432,111
Puregold Junior Supermarket, Inc. (PJSI)		**11,370,121**	11,370,121
CHC		**9,450**	9,450
Merger of PJSI and Gant to PPCI		**4,142**	4,142
		17,742,182,885	P17,742,733,358

a.1. Acquisition of Bargain City Inc. (BCI), Multi-Merchantrade Inc. (MMI) and Superplus Corporation (SC) (collectively as "Budgetlane Supermarkets")

On August 6, 2015, the Group through Goldtempo Company, Inc., a wholly owned subsidiary of Entenso, acquired substantially all of the assets of BCI, MMI and SC. Goldtempo took over the operations of 8 supermarkets located mainly in Metro Manila and Luzon. The acquisition is considered as a business acquisition in accordance with PFRS 3.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired assumed on BCI, MMI and SC at the acquisition date:

Acquisition cost	P1,496,500,821
Fair value of net assets	694,661,082
Goodwill	**P801,839,739**

Movement of goodwill is as follows:

Goodwill at acquisition date	P801,839,739
Fair value adjustments	36,134,460
Goodwill	**P837,974,199**

In 2016, goodwill arising from the acquisition of BCI, MMI and SC increased by P36.68 million upon finalization of BCI's, MMI's and SC's purchase price allocation. Change in fair value of net assets is due to the following:

	Increase (Decrease)
Input VAT	(P36,736,182)
Transportation equipment	(2,308,000)
Accounts payable - nontrade	1,552,949
Other current liabilities	806,300
Effect in fair value of net assets	**(P36,684,933)**

Management has determined that the adjustment was not significant and has no impact in profit or loss, thus, the impact was treated prospectively.

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the net assets acquired and the liabilities assumed is attributable to goodwill.

a.2. Acquisition of Daily Commodities Inc. (DCI) and First Lane Super Traders Co., Inc. (FLSTCI)

On February 3, 2015, the Group through Entenso acquired 100% interest in DCI and FLSTCI for a total cost of P768.49 million. DCI and FLST is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on DCI and FLSTCI at the acquisition date:

Cash consideration transferred	P768,485,000
Fair value of net assets (100%)	77,580,683
Goodwill	**P690,904,317**

Movement of goodwill is as follows:

Goodwill at acquisition date	P690,904,317
Fair value adjustments	(5,000,000)
Goodwill	**P685,904,317**

In 2016, goodwill arising from the acquisition of DCI and FLSTCI decreased by P5 million upon finalization of DCI's and FLSTCI's purchase price allocation. As a result, the carrying value of the identifiable net assets at the date of acquisition changes, and the change resulted to increase in liabilities and consequently decrease net assets. Management has determined that the adjustment was not significant and has no impact in profit or loss, thus, the impact was treated prospectively.

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill.

b. *Trademark and Customer Relationships*
This represents the fair value of S&R trade name and customer relationship determined after considering various factors and performing valuation methodologies including the independent valuation study and analysis prepared by an independent valuation specialist.

Impairment of goodwill, trademark and customer relationship
The recoverable amounts of goodwill, trademark and customer relationships have been determined based on value in use (VIU), using cash flow projections covering a five-year period. It is based on a long range plans approved by management. The VIU is based on a 2% terminal growth rate and discount rate of 10%. The terminal growth rate used is consistent with the long-term average growth rate for the Group's industry. The discount rate is based on the weighted average cost of capital (WACC) by taking into consideration the debt equity capital structure and cost of debt of comparable companies and cost of equity based on appropriate market risk premium. The financial projection used in the VIU is highly dependent on the gross sales and gross profit margin.

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at March 31, 2017 and December 31, 2016.

c. <u>Leasehold Rights and Computer Software and Licenses</u>

On January 25, 2013, the Group executed a memorandum of agreement with various lessors, namely, BHF Family Plaza, Inc. (BHF), Lim Y-U Group, Inc., and R&A Malvar Trading Company, Inc. which paved the way for the establishment of five (5) Puregold stores previously owned and operated by these lessors. Under the agreement, the lessors agreed to sell to the Group all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by each lessor for a period of twenty (20) years upon compliance of the conditions set forth in the memorandum of agreement. As a result of the transaction, the Group recognized leasehold rights representing the excess of cost paid over the fair value of all assets acquired which will be amortized on a straight-line basis over the lease period.

The movements and balances of leasehold rights and computer software and licenses as at and for the period and year ended March 31 and December 31 consists of:

	Computer Software	Leasehold Rights	Total
Cost			
Balance, January 1, 2016	P307,228,615	P75,355,005	**P382,583,620**
Additions	40,446,219		**40,446,219**
Adjustments	(1,230,006)		**(1,230,006)**
Balance, December 31, 2016	346,444,828	75,355,005	**421,799,833**
Additions	17,988,402		**17,988,402**
Balance, March 31, 2017	**364,433,230**	**75,355,005**	**439,788,235**
Accumulated Amortization			
Balance, January 1, 2016	125,505,340	9,170,209	**134,675,549**
Amortization	26,687,177	3,767,750	**30,454,927**
Balance, December 31, 2016	152,192,517	12,937,959	**165,130,476**
Amortization	7,609,709	941,938	**8,551,647**
Balance, March 31, 2017	**159,802,226**	**13,879,897**	**173,682,123**
Carrying Amount			
Balance, December 31, 2016	P194,252,311	P62,417,046	**P256,669,357**
Balance, March 31, 2017	**P204,631,004**	**P61,475,108**	**P266,106,112**

All amortization expense is charged to operating expenses (see Note 24).

15. Deferred Oil and Mineral Exploration Costs

This account consists of:

	Note	Participating Interest	2017	2016
I. **Oil exploration costs:**				
SC 14	*a*			
Block C2 (West Linapacan)		1.53%	**P54,020,921**	P53,745,757
Block D		5.84%	**8,031,189**	8,031,189
Block B1 (North Matinloc)		13.55%	**1,969**	1,969
			62,054,079	61,778,915
SC 6A	*b*			
Octon Block		0.50%	**17,011,880**	17,011,880
North Block		1.57%	**600,419**	600,419
			17,612,299	17,612,299
SC 51	*c*	9.32%	**32,817,032**	32,817,032
SC 6B (Bonita)	*d*	2.11%	**8,027,418**	8,027,418
Other oil projects			**527,341**	527,341
			41,371,791	41,371,791

Balance at end of year			**121,038,168**	120,763,005
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**19,208,048**	19,208,048
Anoling gold project	*g*	3.00%	**13,817,415**	13,817,415
Gold projects	*h*	100.00%	**13,036,487**	13,036,487
Cement project	*i*	100.00%	**9,603,218**	9,603,218
Other mineral projects	*j, k*		**382,338**	382,338
			56,047,506	56,047,506
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:			**(56,092,352)**	(56,092,352
Balance at end of year			**(44,846)**	(44,846
III. Other deferred charges			**664,263**	664,263
Balance at end of year			**P121,657,586**	P121,382,422

On July 2, 2015, the Department of Energy (DOE) approved the transfer of all participating interest of the Parent Company in its various petroleum service contracts in the Philippines to its wholly-owned subsidiary, Alcorn Petroleum and Minerals Corporation (APMC). APMC hereby assumes the responsibility and work commitments on the service contracts.

All deferred oil and mineral exploration costs are classified as intangible assets on the basis that these costs are recognized in respect of licenses and surveys. These costs were incurred in developing an intangible asset. Oil and mineral explorations are governed by permits issued by the Philippine Government either through DOE under SC or by DENR under Exploration Permit (EP) or MPSA.

a.) SC 14 Gabon - Etame, Offshore Gabon, West Africa

On February 23, 2001, the Parent Company executed Heads of Agreement (HOA) and Deed of Assignment with Sojitz Etame, Ltd. (formerly Nissho Iwai Corporation of Japan) for its 2.625% interest in Etame oil field in Gabon, West Africa. The agreements provide that payment of capped amount of US$1,000,000 conditioned on production out of revenue derived from the assigned Participating Interest (2.428%) of 15% of Profit Oil [as defined in the Joint Operating Agreement (JOA)], payable quarterly and in accordance with the following:

(i) should the amount of proved recoverable reserves as submitted in the Development Plan by the Operator be less than 65 million barrels in the Etame Exploration Blocks, Buyer shall pay US$800,000; and

(ii) should the oil reserves be greater than 65 million barrels, Buyer shall pay an additional amount of US$200,000.

As at December 31, 2011, the Parent Company already received US$800,000 (peso equivalent: P35.1 million) as proceeds on production of 65 million barrels.

The Parent Company is still seeking the additional US$200,000 (peso equivalent: P8.8 million) as stated in provision (ii) of the above agreement for the computed oil reserves in excess of 65 million barrels as at December 31, 2012. As at December 31, 2016 and 2015, there were no further developments on the said project.

b.) SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines
The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. As at December 31, 2011, Cosco has participating interest of 1.57% in North Block and 0.50% in Octon Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data.

The impending expiry of SC 6A-Octon Block was finally resolved in a DOE letter on June 18, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Octon Block subject to some terms and conditions.

On December 8, 2011, the DOE approved the transfer of Filipino Consortium's 70% undivided interest to PLL. DOE has also approved the appointment of PLL as the Operator in accordance with the Deed of Assignment and Assumption dated July 1, 2011.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing and interpretation of 500 square kilometers of 3D data area in Octon. Cosco for its part will be carried free up to the drilling of the two exploration wells on the block.

In 2013, the 3D seismic acquisition has been completed and the data is now in Vietnam for data processing and interpretation. Oil reserves have already been determined and would be further refined and fine tuned by the complete seismic acquisition.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project. In 2016, additional deferred charges amounting to P413,721 was capitalized.

c.) SC 51 - East Visayan Basin
The contract area is defined by two (2) separate blocks, namely (1) an on shore-off shore block over Northwest Leyte and (2) a deepwater block in the Cebu Strait. The Parent Company together with other members of the SC 51 Consortium, assigned their collective 80% interest to NorAsian Energy Limited (NorAsian) in consideration for the latter to conduct and finance the seismic survey and drill one well.

In a DOE letter dated June 20, 2009, DOE informed the Operator NorAsian that Executive Order No. 10 dated May 29, 2009 has been issued by the Cebu Provincial Governor which effectively lifts the Cease and Desist Order along the municipal waters of Argao, Sibonga and Cebu.

In line with this, DOE instructs NorAsian to resume petroleum exploration activities in the service contract area.

In July 2011, NorAsian has executed a farm-out of its SC-51 participating interest to Swan Oil and Gas (SWAN). The agreement has been approved by the SC51 Joint Venture Partners and the DOE. In the Consortium meeting on October 27, 2011, NorAsian informed the partners that DOE has accepted DUHAT-1 as compliance of its 3rd Sub-Phase work program. DOE has also approved the 100 kilometers of 2D seismic data acquisition in on-shore Leyte as its commitment for the 4th Sub-Phase work program rather than drill another well onshore.

NorAsian has elected to discontinue its participation in the South block and with the drilling of Argao prospect. NorAsian will give to SWAN all of its 80% participating interest and its operatorship in the Southern block. NorAsian will still retain a 40% working interest in the Northern block and the remaining 40% to SWAN.

Relative thereto, SWAN has requested the Filipino partners to approve the revised Farm in agreement. The Farm-in agreement revisions was approved subsequently but remained unexecuted as at December 31, 2011.

In the first half of 2012, after trying to raise funds for its committed drilling program, SWAN was unable to show proof of its financial capability and its commitment to drill the Argao structure in due time as per provisions of the amended Farm-In Agreement. The Filipino partners in the South Block declared SWAN in default of its Farm-In Agreement commitments. Otto Energy (Otto) also declared SWAN in default of its JOA commitments in the North Block. SWAN contested the default but later settled amicably in September 2012, after it was able to secure a reasonable walk-away package from Otto.

After SWAN's exit from the SC-51 contract area, Frontier Oil Corporation (Frontier) manifested its interest to become Operator of SC-51 South Block and has agreed to the key terms of the proposed Farm-In Agreement. Frontier Oil was still within its requested due diligence period when the year ended. A third party, Arex Energy, was commissioned by Frontier to conduct due diligence study of the block. Frontier requested for an extension until January 31, 2013 before it decides on its option.

On July 2012, 102 line kilometers of seismic lines were completed by the seismic survey party in the North Block. The Seismic survey was completed under budget despite a month-long cessation of operation due to the military stand-off between China and the Philippines at the Scarborough Shoals. Initially-processed seismic lines disclosed very promising seismic features and more enhanced drilling target. The confidence of optimally locating the proposed Duhat-2 is now much higher.

Otto informed that its Board has already approved the drilling budget of $6,600,000 for next year's drilling program which is likely to occur during third quarter of 2013. A much larger rig is being sought for the drilling Duhat 2 to avoid the problem in Duhat 1/1A. So far, two serious drilling outfits heeded the call for rig by Otto.

In 2013, Otto Energy, despite its two failed wells, has declared a mean probable reserve of more than 20MBO.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

d.) SC 6B (Bonita) - Offshore Nortwest Palawan, Philippines
The SC 6B Bonita oil field is located in Offshore Northwest Palawan adjacent to Matinloc. Currently, Venture Oil is evaluating the area for development. On October 28, 2011, Peak Oil and Gas Philippines Ltd, Blade Petroleum Philippines Ltd, and Venture Oil Philippines Inc signed a Farm-In agreement with SC-6B joint venture partners to acquire 70% of the consortium's aggregate participating interests. After executing the Deed of Assignment and Assumption of Interest, Cosco as at December 31, 2011 has a residual participating interest of 2.11% from the original 7.03% after the farm-out.

The impending expiry of SC 6B-Bonita Block was also resolved in a DOE letter of June 17, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Bonita Block subject to terms and conditions.
In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

During the last quarter of 2012, Philodrill, as previous operator of Bonita, served notice to the current Group of Operators that the farmers are cancelling the farm-in agreement.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project. In 2016, additional deferred charges amounting to P72,218 was capitalized.

e.) Exploration Permit Application No. 175-IVB - Nickel Project Aborlan, Palawan
An Order of Denial has been issued by MGB-IVB during the last quarter of 2010 due to inactivity and lack of NCIP clearance among others. The Parent Company submitted a letter of reconsideration and MGB-IVB granted a temporary reprieve in order for the Parent Company to show commitment in completing the application.

The Parent Company submitted the same letter of reprieve to NCIP Region IV so the latter can facilitate the reactivation of the Parent Company's request of NCIP clearance.

As at December 31, 2012, the appeal for reconsideration remained at the MGB Central Office in Quezon City awaiting for the deliberation and resolution.

In December 3013, the application permit remained languishing at the MGB Central under appeal for reinstatement. However the recent turn of events in Palawan brought about by the assigning of EO-79, which categorized Palawan as a No-Go Zone for mining, has forced the Parent Company to accept the previous cancellation and withdraw its appeal for reinstatement.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

f.) Exploration Permit Application No. 196-IVB - Nickel Project Rizal, Palawan
The declaration of Mount Mantalingaan as Palawan Protected Landscape gravely affected the surface extent of the applied area. From the original area of 2,477 hectares the net free area has been reduced to a mere 396 hectares or 15% of the original applied area.

On October 12, 2011, the Parent Company received the Notice of Denial for further processing of its exploration permit application. With the current anti-mining sentiments in Palawan, the Parent Company has decided to forgo any appeal for reinstatement.

In December 2013, this has been cancelled several years back due to the inclusion of its most potential areas in the recently declared Mt. Mantalingaan National Park in Southern Palawan. This forced the Parent Company to accept the cancellation notice without any qualms, after filing two motions for reconsideration.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

g.) MPSA Application No. 039-XIII - Gold Project Anoling, Agusan Del Sur

The project, located in Agusan del Sur, has an area of 204 hectares. In November 2005, the Parent Company executed a Mines Operating Agreement (MOA) with Phsamed Mining Corporation (PHSAMED) whereby the latter assumes operatorship of the Anoling Project, including, among others, all rights, duties and obligations of the Parent Company as previous operator of the Anoling Project. In return, PHSAMED seeks the approval of MPSA and complies with all the work obligation on the area. Moreover, the Parent Company receives 3% royalty and 10% net profit interest share before income tax, depreciation and amortization of up to P11 million. The agreement has an initial term of ten (10) years.

PHSAMED, with the assistance of Cosco, is pursuing the final approval of the MPSA. Additional documentary requirements were submitted to MGB-Caraga in Surigao City. All mining operations remained suspended as at December 31, 2012 until final approval of MPSA.

In 2012, the Parent Company received a formal notice from the project operator that they are no longer pursuing the project development program of Anoling Gold Mine.

The Parent Company has assumed operatorship of the project once again and currently securing all the mine tunnels and assets left behind by the project operator. The Parent Company is also securing all technical data and reports that the project operator acquired during their seven years of operatorship.

The return of the unapproved tenements was completed in 2013 and Bernster has already acknowledged receipt of the MOA termination in their reply letter. The MPSA application is still held-up at the sala of the Mines Adjudication Board but Bernster has to pursue the approval themselves.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

h.) Exploration Permit Application No. 080 - Gold Project, Tinongdan Itogon, Benguet

As at December 31, 2012, all field activities and IP negotiations are suspended. The Parent Company is currently finding a solution to move the project forward and convince the big land owners to give their consent and complete the FPIC process. A final appeal for reinstatement has been lodged before the MGB Central office.

In 2013, due to the continued non-consent vote from the indigenous people in the area, it was deemed justified to withdraw the appeal for reinstatement.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

i.) MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte

The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

On March 4, 2003, the DENR granted the Parent Company's application for a two-year exploration period in its Cement Leyte Project which ended on March 14, 2005.

On September 9, 2011, the Parent Company received the approval for the second extension of the MPSA Exploration. The approved exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

The Parent Company, as part of new requirements, is required to conduct a new round of Information, Education and Communication (IEC) before implementing the exploration surveys. The Parent Company has also committed to participate in the National Greening Program initiated by the President.

For the first half of 2012, the Parent Company continued in preparation to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the two-year extension of the MPSA exploration period.

In 2013, the project was considered delinquent and may soon be cancelled by the regional mining office.

In 2016, the Company paid occupation amounting to P0.502 million for the project.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

j.) Exploration Permit Application No. 009-2010-V - Copper Gold Project, Oas, Albay

The Exploration Permit Application EXPA-000072-V has been signed and approved on May 5, 2010 at the Central office of the Mines and Geosciences Bureau in Quezon City and registered with the Mines Geosciences Bureau Regional Office No. 5 in Legaspi City on May 12, 2010 as EP-009-2010-V.

On May 17, 2011, the Parent Company signed a MOA with Bentley Fairview Resources Corporation after Bentley decided to exercise its option upon expiration of the Option and Due Diligence Agreement last May 1, 2011.

In August 2011, the Parent Company and Bentley have completed the IEC campaign. Bentley advised that ground activities will commence in the middle of January 2012. Their schedules were set back by bad weather and shortage of technical personnel.

During the first quarter of 2012, a three-year MOA between the Parent Company and Barangay Maramba was signed and executed in compliance and fulfillment of the Parent Company's commitments with the National Greening Program (NGP). Bentley, as project operator and in pursuance to the mines operating agreement with the Parent Company, will finance the reforestation of a 6-hectare area in Maramba and Barangay Maramba will be the implementing partner of the NGP MOA. A three-year financial plan has been crafted for that matter.

In 2012, the implementation of signed NGP-MOA between the Parent Company and Barangay Maramba was completed. A total of 2,500 mahogany seedlings were planted in the area located within the jurisdiction of Barangay Maramba, Oas, Albay. The tree-planting site has been inspected by representative of the MGB.

As at December 31, 2012, the Parent Company submitted its application for the renewal of the exploration permit and waits for the renewal of the exploration permit.

In 2013, the documents for the relinquishment of the tenements have been prepared. The EP was renewed but the claim perfection remained incomplete due to non-payment of the mining occupation fees. Cosco has already made several postponements of inspection trips by MGB-5 to the project site.

Cosco has not implemented its mandatory community development program. It has stalled the implementation of the tree-planting program and has not undertaken the environmental baseline survey. Commitments are piling up after the pull out of Bentley and Cosco has suspended all compliance activities on the area.

In 2013, the EP is now delinquent in status and the continued delinquency is decreasing the value of the project.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

k.) Exploration Permit No. 000071 - Copper Project, Concepcion, Iloilo

On June 22, 2010, the exploration permit application was registered and approved by the regional office of MGB-6 in Iloilo City. All surface activities remained suspended. The Parent Company is currently preparing the budget for work programs and IEC presentations for approval by the Cosco Board.

The Parent Company has completed its Project IEC campaign before all concerned and affected Local Government Units in Concepcion and Iloilo.

MGB-6 now requires Cosco to secure Affidavit of Consents from the private landowners. Cosco complied with the MGB guidelines.

As at December 31, 2012, the Parent Company completed its documentary submissions with respect to its application for the renewal of the exploration permit. The Parent Company is patiently waiting for the renewal of the exploration permit so that it can implement the other peripheral requirements of the CDP, NGP and geohazard mapping.

In December 2013, the signing of the Option to Purchase agreement with Vale Exploration, Philippines (Vale) has been completed.

On January 13, 2014, Vale took over of the project Operation. The US$20,000 cash consideration was paid to Cosco on January 23, 2014.

If the surface exploration activities confirmed the expected results, Vale has the option to exercise immediately the purchase of the mineral rights from Cosco at the cost of US$1.25 million. Vale would still pay the US$ 30,000 regardless of the early exercise of the purchase option. Cosco's residual 1.35% share on the net smelter return will only kick in when production has been realized. Cosco will be carried free in all exploration activities even in the event of confirmatory drilling operations in the later stages.

As at March 31, 2017 and December 31, 2016, there were no further developments on the said project.

16. Other Noncurrent Assets

This account consists of mainly of security deposits, accrued rent income, deferred input VAT and prepaid rent with carrying value amounting to P5,635.46 million and P3,558.55 million as at March 31, 2017 and December 31, 2016, respectively.

Accrued rent income pertains to the excess of rent income over billing to tenants in accordance with PAS 17, *Leases*.

17. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2017**	2016
Trade payables	*32, 33*	**P3,225,379,464**	P6,301,050,236
Non-trade payables	*32, 33*	**1,967,650,488**	2,166,709,157
Dividends		**-**	1,353,645,417
Withholding taxes payable and other statutory payables		**434,846,614**	570,872,841
Deferred rent income	*32, 33*	**6,828,836**	19,076,603
Construction bonds	*32, 33*	**18,916,516**	17,282,685
Accrued expense	*32, 33*		
Manpower agency services		**615,418,280**	561,727,984
Tax assessments		**199,113,762**	199,113,762
Utilities		**226,614,420**	99,604,604
Rent		**57,493,264**	63,481,123
Professional fees		**71,184,200**	61,104,033
Fixed asset acquisition		**50,148,133**	24,974,641
Interest		**3,482,245**	3,940,506
Others	*32, 33*	**481,993,511**	333,226,032
		P7,359,069,733	P11,775,809,624

The average credit period on purchases of certain goods from suppliers is 60 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame (see Note 32).

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods, fixed asset acquisitions and structures under construction.

18. Loans Payable

As at March 31, 2017 and December 31, 2016, the Group has the following outstanding loans payable:

a. Short-term Loans Payable

The Group entered into the following loan facilities to be used as additional working capital:

Segment		2017	2016
Liquor	Short-term note based on 2.375%	**P70,000,000**	P245,000,000
Real estate	Short-term note based on 2.375%	**600,000,000**	600,000,000
Retail	Short-term note based on 2.5%	**900,000,000**	1,220,000,000
Retail	Short-term note based on 2.0%	**200,000,000**	200,000,000
Retail	Short-term note based on 2.125%	**450,000,000**	450,000,000
Retail	Short-term note based on 2.375%	**2,447,500,000**	2,647,500,000
		P4,667,500,000	P5,362,500,000

The Group issued and executed the following notes:

2017

Execution Date	Maturity Date	Interest Rate	Principal
February 23, 2017	**May 24, 2017**	**2.375%**	**P550,000,000**
January 27, 2017	**July 26, 2017**	**2.375%**	**500,000,000**
January 26, 2017	**April 28, 2017**	**2.500%**	**490,000,000**
January 25, 2017	**July 27, 2017**	**2.375%**	**467,500,000**
February 20, 2017	**May 19, 2017**	**2.500%**	**310,000,000**
February 27, 2017	**May 26, 2017**	**2.375%**	**300,000,000**
February 3, 2017	**March 5, 2017**	**2.3750%**	**300,000,000**
November 15, 2016	**June 30, 2017**	**2.125%**	**250,000,000**
January 27, 2017	**July 26, 2017**	**2.000%**	**200,000,000**
January 23, 2017	**July 21, 2017**	**2.125%**	**200,000,000**
December 9, 2016	**April 7, 2017**	**2.3750%**	**200,000,000**
February 8, 2017	**August 7, 2017**	**2.375%**	**180,000,000**
February 10, 2017	**August 9, 2017**	**2.375%**	**180,000,000**
January 11, 2017	**July 10, 2017**	**2.375%**	**150,000,000**
December 12, 2016	**June 9, 2017**	**2.3750%**	**70,000,000**
October 10, 2016	**April 7, 2017**	**2.375%**	**50,000,000**
			P4,397,500,000

2016

Execution Date	Maturity Date	Interest Rate	Principal
November 25, 2016	February 23, 2017	2.375%	P550,000,000
February 3, 2016	January 27, 2017	2.375%	500,000,000
October 28, 2016	January 26, 2017	2.500%	490,000,000
February 1, 2016	January 25, 2017	2.375%	467,500,000
February 26, 2016	February 20, 2017	2.500%	310,000,000
October 14, 2016	January 12, 2017	2.500%	300,000,000
November 29, 2016	February 27, 2017	2.375%	300,000,000
December 6, 2016	February 3, 2017	2.3750%	300,000,000
November 15, 2016	June 30, 2017	2.125%	250,000,000
August 26, 2016	January 27, 2017	2.000%	200,000,000
October 25, 2016	January 23, 2017	2.125%	200,000,000
December 9, 2016	April 7, 2017	2.3750%	200,000,000
February 15, 2016	February 8, 2017	2.375%	180,000,000
August 15, 2016	February 10, 2017	2.375%	180,000,000
January 18, 2016	January 11, 2017	2.375%	150,000,000
December 13, 2016	March 13, 2017	2.375%	150,000,000
October 28, 2016	January 26, 2017	2.125%	122,000,000

February 9, 2016	February 1, 2017	2.375%	120,000,000
October 28, 2016	January 26, 2017	2.500%	120,000,000
December 16, 2016	March 15, 2017	2.3750%	100,000,000
December 12, 2016	June 9, 2017	2.3750%	70,000,000
November 8, 2016	March 8, 2017	2.125%	53,000,000
October 10, 2016	April 7, 2017	2.375%	50,000,000
			P5,362,500,000

Principal amounts will be due on lump sum on their maturity dates. Extension and/or renewal of the notes are granted by the financial institution to the Group. Total short-term loans payable renewed and extended in 2016 amounted to P2,157.50 million.

b. Long-term Loans Payable

As at March 31, 2017 and December 31, the outstanding loans consist of:

	Note	**2017**	2016
Long-term loans by Parent	*b.1*	**P4,872,233,559**	P4,870,841,985
Long-term loans by Subsidiaries	*b.2*	**2,517,616,651**	2,517,096,658
		7,389,850,210	7,387,938,643
Less current portion		**165,825,276**	164,433,702
Noncurrent portion		**P7,224,024,934**	P7,223,504,941

b.1 The outstanding loan by the Parent is as follows:

	2017	2016
Loan Facilities (net of debt issuance costs)		
Fixed-Rate Peso Corporate Notes	**4,872,233,559**	P4,870,841,985
Less current portion	**45,825,276**	44,433,702
	4,826,408,283	P4,826,408,283

Movements in debt issuance costs are as follows:

	2017	2016
Balance at beginning of year	**P29,158,015**	P34,500,632
Amortization during the year	**463,858**	5,342,617
Balance at end of year	**P28,694,157**	P29,158,015

Repayment Schedule

As at March 31, 2017, the annual maturities of loans payable are as follows:

Year	**Gross Amount**	**Debt Issuance Cost**	**Net**
2017	**50,000,000**	**5,566,298**	**44,433,702**
2018	**50,000,000**	**5,802,439**	**44,197,561**
2019	**50,000,000**	**6,051,734**	**43,948,266**
2020	**50,000,000**	**6,314,917**	**43,685,083**
More than 5 years	**4,700,000,000**	**5,422,627**	**4,694,577,373**
	P4,900,000,000	**P29,158,015**	**P4,870,841,985**

As at December 31, 2016, the annual maturities of loans payable are as follows:

Year	Gross Amount	Debt Issuance Cost	Net
2017	50,000,000	5,566,298	44,433,702
2018	50,000,000	5,802,439	44,197,561
2019	50,000,000	6,051,734	43,948,266
2020	50,000,000	6,314,917	43,685,083
More than 5 years	4,700,000,000	5,422,627	4,694,577,373
	P4,900,000,000	P29,158,015	P4,870,841,985

Financing of Capital Expenditures and Debt Obligations

In 2014, the Parent Company entered into a Corporate Financing Facility in the aggregate principal amount of P5.0 billion to finance the Group's strategic acquisition plans and/or for other general corporate requirements.

Below are the terms of the loan facility:

Fixed-Rate Peso Corporate Notes

1.) Seven-year, unsecured Corporate Loan Facility with a consortium of six (6) local banks for P4.0 billion which bears annual interest based on PDST-F plus spread and the principal payable as follows:

   a) On the first anniversary after Issue Date and every anniversary until the sixth anniversary, an amount equal to one (1) percent of the principal; and
   b) On the Maturity date, an amount equal to ninety-four (94) percent of the principal plus accrued interest.

   The fixed rate is based on the 7-year PDST-F Rate on interest Rate Setting Date + spread of [100-150] bps.

2.) Ten-year, unsecured Corporate Loan Facility with a consortium of six (6) local banks for P1.0 billion which bears annual interest based on PDST-F plus spread and the principal payable as follows:

   a) On the first anniversary after Issue Date and every anniversary until the sixth anniversary, an amount equal to one (1) percent of the principal; and
   b) On the Maturity date, an amount equal to ninety-one (91) percent of the principal plus accrued interest.

   The fixed rate is based on the 10-year PDST-F Rate on interest Rate Setting Date + spread of [100-150] bps.

As at March 31, 2017 and December 31, 2016, the Parent Company is in compliance with the terms and conditions of the loans.

b.2 As at December 31, the outstanding loans by the subsidiaries are as follows:

Segment	Unsecured Peso Denominated	Note	2017	2016
Retail	Fixed rate note based on 3.5%	*i*	**P1,997,616,651**	P1,997,096,658
Retail	Fixed rate note based on 3.25%	*ii*	**120,000,000**	120,000,000
Retail	Fixed rate note based on 3.5%	*iii*	**400,000,000**	400,000,000
			2,517,616,651	2,517,096,658
	Less current portion		**120,000,000**	120,000,000
			P2,397,616,651	P2,397,096,658

i. On June 13, 2013, PPCI issued a P2.0 billion promissory note. Interest is computed as 3.50% per annum of the principal amount. The debt has a term of 1,803 days and will be paid on a lump sum on May 21, 2018.

ii. On April 14, 2013, the Parent Company signed and executed a two (2) year promissory note amounting to P963.70 million. The debt bears a 3.25% interest rate per annum and shall be repaid in a single payment on maturity. As of March 2017, a total of P843.70 million of the loan amount was already paid. The balance was renewed at 2.375% interest rate per annum and payable on July 3, 2017.

The movements in debt issue costs are as follows:

	2017	2016
Balance at beginning of the year	**P2,903,342**	P4,937,702
Amortization during the year	**(519,993)**	(2,034,360)
Balance at end of year	**P2,383,349**	P2,903,342

iii. On July 23, 2013, Kareila signed and executed a P500.00 million unsecured loan agreement with a local bank. The loan shall be repaid in lump sum after five (5) years. Its related interest is at 3.50% per annum. In 2015, P100.00 million of the loan was repaid in advance by the Company.

Repayment Schedule

The annual maturities of long-term loans are as follows:

Year	2017	2016
2017	**P120,000,000**	P120,000,000
2018	**2,000,000,000**	2,000,000,000
	P2,120,000,000	P2,120,000,000

There are no debt covenants for above unsecured loans entered into by the Group.

Interest expense from these loans amounting to P21.67 million and P75.44 million were capitalized in March 2017 and December 2016, respectively and recognized in building and leasehold improvements under property and equipment accounts (see Note 10). Remaining interest expense that was charged to profit and loss amounted to P34.07 million and P101.47 million in March 2017 and December 2016, respectively.

19. Other Current Liabilities

This account as at March 31 and December 31 consists of:

	Note	2017	2016
Deposits	*22, 32, 33*	**P235,638,739**	P274,329,511
Unredeemed gift certificates		**84,652,216**	102,275,712
Loyalty and rewards		**48,987,738**	88,449,780
Output VAT		**19,379,367**	48,367,991
Promotion fund		**15,292,317**	13,402,740
Others	*32, 33*	**15,815,792**	15,717,207
		P419,766,169	P542,542,941

Deposits represent amounts paid by the store tenants for the lease of store spaces which are refundable upon termination of the lease.

Unredeemed gift certificates represent issued yet unused gift certificates. These will be closed to sales account upon redemption and are due and demandable.

Loyalty and rewards is provided for the point's redemption of "Tindahan ni Aling Puring" members. Points are earned upon purchase of participating items and may be used as payments of their purchases which makes it due and demandable.

Promotion fund is promotional discount granted for the Group's promotion and advertising activities in partnership with suppliers.

Others include cashier's bond withheld from each cashier to compensate for any possible cash shortages in the store.

20. Deposit for Future Subscriptions in a Subsidiary

The Group through OWI received funds from prospective investors intended as deposit for future stock subscriptions of OWI once the increase for Company's authorized capital is approved by the SEC. Outstanding amount due to stockholders were converted to deposit for subscription in 2013 amounting to P150.3 million. On March 1, 2017, the management of OWI filed the application to SEC for the increase in the authorized capital stock from P320,000 divided into 320,000 shares to P200,000,000 divided into 200,000,000 shares. The application was subsequently approved by the SEC on March 13, 2017 with effectivity on the same date.

21. Cost of Sales and Services

This account for the periods ended March 31 consists of:

Cost of Sales

	2017	2016
Beginning inventory	**P19,792,366,124**	P16,740,693,333
Purchases/effect of business combination	**27,419,807,936**	23,496,618,890
Overhead costs allocated to inventories	**77,755,606**	104,294,832
Total goods available for sale	**47,289,929,666**	40,341,607,055
Ending inventory	**20,660,018,823**	17,120,941,881
	P26,629,910,843	P23,673,665,174

Transfer-in pertains to the beginning inventory for newly-acquired subsidiaries.

Cost of Services

	Note	2017	2016
Utilities		**P87,974,075**	P91,649,323
Depreciation	*12, 13*	**84,616,493**	49,472,751
Taxes and licenses		**24,336,395**	17,430,879
Security services		**20,001,901**	23,902,520
Janitorial services		**13,640,042**	11,884,196
Repairs and maintenance		**10,257,794**	13,293,025
Rentals	*22*	**8,894,137**	10,480,755
Management fees		**8,501,877**	7,874,913
Insurance		**3,968,785**	5,397,131
Others		**2,162,926**	998,586
		P264,354,425	P232,384,079

22. Lease Agreements

As Lessee

The Group leases warehouses, parking spaces and certain lands and buildings where some of its stores are situated or constructed. The terms of the lease are for the periods ranging from ten to forty (10-40) years, renewable for the same period under the same terms and conditions. The rent shall escalate by an average of 1% to 7%. Rental payments are fixed amounts which are calculated either fixed monthly rent or is calculated in reference to a fixed sum per square meter of area leased based on the contracts.

The Group is required to pay advance rental payments and security deposits on the above leases which are either fixed monthly rent or are calculated in reference to a fixed sum per square meter of area leased. These are shown under "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (see Note 16).

Rent expense recognized in profit or loss amounted to P579.82 million and P457.69 million in 2017 and 2016, respectively (see Note 24).

The scheduled maturities of non-cancellable minimum future rental payments are as follows:

	2017	2016
Due within one year	**P2,153,359,652**	P2,094,307,137
Due more than one year but not more than five years	**9,027,649,487**	8,825,322,493
Due more than five years	**34,514,448,480**	33,437,452,880
	P45,695,457,617	P44,357,082,510

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten (1-10) years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 19).

Rent income recognized as part of "Other Operating Income" account in profit or loss amounted to P94.56 million and P91.70 million in 2017 and 2016, respectively (see Note 23).

The scheduled maturities of non-cancellable minimum future rental collections are as follows:

	2017	2016
Due within one year	**P220,501,336**	P213,715,008
Due more than one year but not more than five years	**242,217,255**	257,952,124
Due more than five years	**117,438,546**	148,073,465
	P580,157,137	P619,740,597

23. Other Operating Income

This account for the periods ended March 31 consists of:

	Note	2017	2016
Concession income		**P360,938,958**	313,748,031
Display allowance		**140,879,365**	149,021,226
Membership income		**98,693,738**	80,864,102
Rent income	22	**94,562,187**	91,700,588
Listing fee		**12,697,565**	21,290,485
Merchandising support		**12,263,970**	27,546,747
Demo/sampling income		**3,134,955**	2,787,652
Miscellaneous		**62,679,362**	51,828,021
		P785,850,100	738,786,852

Concession income pertains to the fixed percentage income from sales of concessionaire suppliers' goods sold inside the store.

Display allowance refers to the income received from the suppliers for the additional space for display of the items in the selling area such as end cap modules and mass display.

Rent income relates to the income earned for the store spaces occupied by the tenants.

Membership income pertains to fees from members of Kareila, Company E and Subic wherein such fees permit only membership, and all other services or products are paid for separately.

Service income pertains to income generated from promotional activities.

Listing fee pertains to the amount collected from the supplier for enrolling their products in the classified business line.

Demo/sampling income pertains to the fee paid by the suppliers for the privilege granted by Kareila in allowing a representative of the supplier to conduct a demo or give away samples of their products inside the selling area of the stores.

Miscellaneous account consists of amounts collected from the customers for delivering their purchases, cashiers' overages, sale of used packaging materials and others.

24. Operating Expenses

This account for the periods ended March 31 consists of:

	Note	**2017**	2016
Rent	22	**P570,927,140**	P447,207,295
Manpower- agency		**551,934,802**	495,544,451
Salaries and wages		**517,577,585**	470,187,335
Communication, light and water		**442,949,183**	399,051,456
Depreciation and amortization	*12,13, 14*	**403,231,012**	355,794,031
Outside services		**342,723,373**	325,317,025
Taxes and licenses		**180,973,547**	154,124,157
Concession expense		**111,650,751**	102,759,209
Store and office supplies		**134,037,481**	96,885,889
Repairs and maintenance		**98,893,635**	101,323,191
Distribution costs		**68,934,922**	34,598,283
Advertising and marketing		**66,725,177**	73,739,999
Insurance		**49,283,574**	40,423,686
SSS/Medicare and HDMF contributions		**31,242,449**	28,388,228
Transportation		**20,097,575**	19,003,951
Input VAT allocable to exempt sales		**18,078,169**	17,269,265
Fuel and oil		**14,035,823**	9,786,623
Representation and entertainment		**11,705,364**	14,263,873
Royalty expense	26	**10,291,557**	9,352,630
Warehousing and delivery		**4,409,809**	10,391,937
Professional fee		**8,841,585**	9,537,570
Retirement benefits cost	27	**1,329,055**	1,410,797
Others		**58,217,664**	46,617,565
		P3,718,091,232	P3,262,978,446

25. Others

This account for the periods ended March 31 consists of:

	Note	**2017**	2016
Commission income		**P9,373,412**	18,247,304
Unrealized valuation gain (loss) on trading securities	*8*	**1,610,045**	480,888
Gain (loss) on disposal of property and equipment		**(12,135)**	13,460
Share in results of associates and joint ventures	*11*	**1,072,679**	1,409,385
Bank charges		**(8,872,818)**	(9,467,199)
Foreign exchange loss		**2,212,713**	(2,442,828)
Miscellaneous		**1,673,525**	895,840
		P7,057,421	P9,136,850

Commission income is derived from intermediating between other local distributors of wines and liquors and foreign suppliers.

Reimbursements of expenses pertain to recovery of expense charged by the Company for promoting the products of its major suppliers.

Gain on insurance claim represents the excess of the insurance proceeds received over the cost of the inventories and machineries damaged by flood and fire.

26. Related Party Transactions

In the normal course of business, the Group has transactions with its related parties. These transactions and account balances as at March 31 and December 31 follow:

Related Party	Year	*Note*	Amount of Transactions for the Year	Due from Related Parties	Due to Related Parties	Terms	Conditions
Officers							
▪ Advances	**2017**	***a***	-	**1,130,521**	**252,276,033**	Due and demandable;	Unsecured
	2016	*a*	670,000,000	1,130,521	252,276,033	non-interest bearing	
Under Common Control							
▪ Advances	**2017**	***b***	**13,016,488**	**184,612,580**	**367,109,068**	Due and demandable;	Unsecured
	2016	*b*	86,870,763	184,005,104	395,306,931	non-interest bearing	
▪ Rent expense	**2017**	***f***	**254,550**		**-**	Due and demandable;	Unsecured
	2016	*f*	1,029,698	-	-	non-interest bearing	
Associates							
▪ Throughput fees	**2017**	***c***	**301,786**	**-**	**8,673,300**	Outstanding balance is settled in cash within a month after the end of each quarter;	Unsecured
	2016	*c*			8,975,086	non-interest bearing	
▪ Concession expense	**2017**	***d***	**111,650,751**	**-**	**-**	Due and demandable;	Unsecured
	2016	*d*	477,641,920	-	-	non-interest bearing	
Key Management Personnel							
▪ Royalty expense	**2017**	***e***	**10,291,557**	**-**	**10,291,895**	Due and demandable;	Unsecured
	2016	*e*	42,220,356	-	33,776,623	non-interest bearing	
▪ Short-term benefits	2015		124,593,457	-	-		
Total	**2017**			**P185,743,101**	**P638,350,296**		
Total	2016			P185,135,625	P690,334,673		

The Group, in the normal course of business, has transactions with its related parties as follows:

a. Officers

Cash advances extended from and to an officer for working capital requirements.

b. Under Common Control

Cash advances extended from and to entities under common control for working capital requirements.

c. Throughput Agreement

On December 15, 2000, LPC, together with its co-joint venture in MJVC, as "Users", entered into a throughput agreement (TA) with MJVC and PLBRC. Under the TA, MJVC will provide the services to enable basis, each of the users to load and off-load products from vessels and receive products from MJVC's storage facilities. The Company, as the User, shall pay the services and annual fees based on a certain formula agreed upon under the TA. The fee shall be shared between the users based on the actual tonnage off-loaded or loaded from and to ships. The term of the agreement is for 25 years and shall expire on December 15, 2025.

Throughput fees are shown as part of cost of sales (see Note 21).

d. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with PPCI thru Kareila, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) stores.

- The Consignor shall give the Consignee a trade or volume discount of its gross sales.

- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.

- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee's gross sales which was decreased to ten percent (10%) through an amendment of the contact on January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

e. Royalty Agreement

On August 15, 2011, the Group ("licensee") entered into a license agreement with a stockholder ("licensor") for its use of trademark and logo. The licensee will pay the licensor royalties in an amount equivalent to 1/20 of 1% of net sales for the period of thirty (30) years, renewable upon mutual written consent of the parties. These royalty fees and payables are unsecured, non-interest bearing and due and demandable.

f. Lease of Building

The Group leases the building from its related parties where some stores are located. The Group pays its related parties a minimum fixed amount or is calculated in reference to a fixed sum per square meter of area leased. The terms of the lease are for the periods ranging from ten to thirty-five (10 -35) years, renewable for the same period under the same terms and conditions. The rent shall escalate by the range from 1% to 7%. Rental payments are fixed amounts based on the contracts.

Amounts owed by and owed to related parties are to be settled in cash.

27. Retirement Benefit Costs

The Group has an unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2016. Valuations are obtained on a periodic basis.

The following table shows reconciliation from the opening balances to the closing balances of the present value of defined benefits obligations:

	2017	2016
Balance at January 1	**P538,453,426**	P504,824,597
Included in profit or loss		
Current service cost	**1,329,055**	101,720,124
Interest cost		26,069,156
Interest income on plan assets		(1,244,980)
Past service cost		6,332,696
	1,329,055	132,876,996
Included in other comprehensive income		
Remeasurements loss (gain):		
Changes in financial assumptions		-
Changes in demographic assumptions		-
Actuarial loss (gain) arising from:		
Financial assumptions		(57,014,909)
Experience adjustment		(28,932,566)
Return on plan assets excluding interest income		-
		(85,947,475)
Retirement benefits paid	**(1,167,166)**	(13,566,899)
Effect of business combination	**(867,271)**	266,207
Balance at December 31	**P537,748,044**	P538,453,426

The retirement benefits liability recognized in the consolidated statements of financial position as at December 31 are as follows:

	2017	2016
Present value of defined benefits obligation	**P537,748,044**	P538,453,426
Fair value of plan assets	**25,000,000**	(25,000,000)
Retirement benefits liability	**P512,748,044**	P513,453,426

The amount of retirement benefits cost recognized in profit or loss in December 31 consist of:

	2017	2016
Current service cost	**P1,329,055**	P101,720,124
Interest expense on the defined benefit liability	-	26,069,156
Interest income on plan assets	-	(1,244,980)
Past service cost	-	6,332,696
	P1,329,055	P132,876,996

The actuarial losses, before deferred income taxes recognized in other comprehensive income are as follows:

	2017	2016
Cumulative actuarial loss at beginning of year	**(P74,041,077)**	P11,906,398
Actuarial loss (gain) due to increase in defined benefit obligation	**2,000**	(85,947,475)
Cumulative actuarial loss at end of year	**(P74,039,077)**	(P74,041,077)

The cumulative actuarial gain (loss), net of deferred income taxes, amounted to P0.07 million and as at March 31, 2017 and December 31, 2016, respectively, as presented in the consolidated statements of changes in equity.

The following were the principal actuarial assumptions at the reporting date:

	2017	2016
Discount rate	**5.38%**	5.38%
Future salary increases	**8.00%**	8.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 25.8 years.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2017

	Increase	**Decrease**
Discount rate (1% movement)	**P128,038,700**	**(P99,485,733)**
Future salary increase rate (1% movement)	**112,926,079**	**(93,856,514)**

2016

	Increase	Decrease
Discount rate (1% movement)	P128,038,700	(P99,485,733)
Future salary increase rate (1% movement)	112,926,079	(93,856,514)

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement obligation are paid directly by the Group when they become due.

Maturity analysis of the benefit payments:

	2017				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P538,453,426**	**P154,869,829**	**P21,591,965**	**P37,838,380**	**P95,439,484**

	2016				
	:arrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P538,453,426	P154,869,829	P21,591,965	P37,838,380	P95,439,484

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

The Group has no expected future contribution for 2017.

28. Income Taxes

The income tax expense for the periods ended March 31 consists of:

	2017	2016
Current tax	**P703,171,768**	P645,267,410
Deferred tax	**(5,271,350)**	30,732,662
	P697,900,418	P676,000,072

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss for the periods ended March 31 is as follows:

	2017	2016
Income before income tax	**P2,487,091,025**	P2,332,143,009
Income tax expense at the statutory income tax rate:		
30%	**P716,125,679**	P698,462,970
5%	**1,716,121**	1,179,933
Income tax effects of:		
Changes in unrecognized DTA	**2,703,094**	-
Nondeductible other expenses	**893,419**	-
Non-deductible interest expense	**524,335**	4,635,578
Nondeductible expense	**2,943**	-
Dividend income exempt from final tax	**(36,507)**	(17,304)
Share in net income of an associate and joint venture	**(222,822)**	1,332
Non-taxable rental income	**(483,013)**	-
Interest income subjected to final tax	**(2,820,510)**	(11,136,524)
Deduction from gross income due to availment of optional standard deduction	**(20,502,321)**	-
Other non-taxable income	-	(17,125,913)
	P697,900,418	P676,000,072

The components of the Group's deferred tax liabilities (DTL) net of deferred tax assets (DTA) in respect to the following temporary differences are shown below:

	2016	2015
	DTA (DTL)	DTA (DTL)
Accrued rent expense	**P974,304,794**	P955,295,627
Retirement benefits liability	**184,298,637**	183,909,675
Allowance for impairment losses on receivables	**42,011,074**	42,011,074
Advanced rentals	**2,909,041**	2,909,041
NOLCO	**1,380,915**	1,380,915
Provision for gas cylinders	**510,000**	510,000
Unrealized foreign exchange loss	**500,142**	500,142
Recognition of DTA	**116,919**	100,508
Actuarial losses	**4,051,603**	(499,957)
DTA	**1,210,083,125**	1,186,117,025
Fair value of intangible assets from business combination	**(1,379,734,058)**	(1,379,734,058)
Accrued rent income	**(411,858,970)**	(398,328,163)
Remeasurement on retirement liability	**(26,829,576)**	(22,278,016)
Prepaid rent	**(6,466,317)**	(20,136,265)
Unrealized foreign exchange gain	**(929,853)**	(988,284)
DTL	**(1,825,818,774)**	(1,821,464,786)
Net	**(P615,735,649)**	(P635,347,761)

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefit liability.

The details of the Group's NOLCO which are available for offsetting against future taxable income are shown below:

Year Incurred	Amount Incurred	Expired (Applied) During the Year	Remaining Balance	Expiration Date
2012	P22,654,191	(P22,654,191)	P -	2015
2013	376,230,238	(376,230,238)	-	2016
2014	104,036,834	-	104,036,834	2017
2015	471,224,898	-	471,224,898	2018
2016	261,274,865	-	261,274,865	2019
	P1,235,421,026	(P398,884,429)	P836,536,597	

The details of the Group's MCIT which are available for offsetting against future taxable income are shown below:

Year Incurred	Amount Incurred	Expired (Applied) During the Year	Remaining Balance	Expiration Date
2012	P2,612,079	(P2,612,079)	P -	2015
2013	1,316,275	(1,316,275)	-	2016
2014	2,568,707	-	2,568,707	2017
2015	4,071,221	-	4,071,221	2018
2016	9,512,014	-	9,512,014	2019
	P20,080,296	(P3,928,354)	P16,151,942	

29. Equity

The details of Parent Company's authorized, issued and outstanding capital stocks are as follows:

Amount

	Note	**2017**	2016
Authorized	*1*	**P10,000,000,000**	P10,000,000,000
Issued and outstanding		**P7,405,263,564**	P7,405,263,564

Number of shares

	Note	**2017**	2016
Authorized - (2014 - P1 par value, 2013 - P1 par value)	*1*	**10,000,000,000**	10,000,000,000
Issued and outstanding		**7,405,263,564**	7,405,263,564
Treasury stocks		**(29,854,600)**	**(29,854,600)**
Balance at end of year		**7,375,408,964**	7,375,408,964

Capital Stock and Additional Paid-in Capital
On June 28, 2007, the BOD approved the increase in the Parent Company's authorized capital stock from P700 million to P3,000 million divided into 300 billion common shares with the same rights and privileges and with a par value of P0.01 per share. On the same date, the BOD approved the issuance of up to 5% of the authorized capital stock of the Company to qualified employees and persons through an Employees Stock Ownership Plan.

On June 8, 2010, the SEC approved the Parent Company's application to increase its authorized capital stock as discussed above. In 2011, upon implementation of the capital increase, 25% of the additional P2.3 billion was subscribed through private placement and P100 million of which was subscribed through stock rights offering.

On April 22, 2013, the SEC approved the increase in the Parent Company's capital stock from P3 billion divided into 300 billion shares with par value of P0.01 each, to P10 billion shares with par value of P1.00 each.

The Parent Company has not yet implemented the stock option plan to qualified employees as at March 31, 2017 and December 31, 2016.

Treasury Stocks
On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30 million shares within one year from the approval. On November 11, 2016, the Parent Company renewed its authority to buy back its shares for another one year. In 2016, the Parent Company bought back 1,847,400 shares with acquisition cost of P13.79 million and was classified in the Parent Company's book as treasury shares.

Retained Earnings
On December 22, 2016, the Company's BOD approved the declaration of a regular dividend of P0.06 per share and special dividend of P0.02 per share on record date of January 12, 2017 and payment date of January 20, 2017. The total amount of dividends payable, net of withholding taxes, as at December 31, 2016 amounted to P524.03 million.

On December 18, 2015, the Company's BOD approved the declaration of a regular dividend of P0.06 per share and special dividend of P0.02 per share on record date of January 8, 2016 and payment date of January 18, 2016. The total amount of dividends payable, net of withholding taxes, as at December 31, 2015 amounted to P526.23 million.

On December 18, 2014, the Parent Company's BOD approved the declaration of a regular dividend of P0.02 per share and special dividend of P0.06 per share on record date of January 12, 2015 and payment date of February 5, 2015. The total amount of dividends payable, net of withholding taxes, as at December 31, 2014 amounted to P592.42 million.

The summary of dividends declared as at December 31, 2016 and 2015 is as follows:

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	December 18, 2014	January 8, 2016	February 5, 2015	P592,421,085
Cash	December 18, 2015	January 8, 2016	January 18, 2016	590,873,301
Cash	December 22, 2016	January 12, 2017	January 20, 2017	590,032,717

30. Segment Information

Segment information reported externally was analyzed on the basis of types of goods supplied and services provided by the Group's operating divisions. However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the types of goods or services delivered or provided. The Group's reportable segments are as follows:

Grocery retail	Includes selling of purchased goods to a retail market
Specialty retail	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of liquefied petroleum gas, filling and distributions of LPG cylinders as well as distributions to industrials, wholes and other customers.
Real estate	Includes real estate activities such as selling and leasing of real properties
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Holding, oil and Mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

The following segment information does not include any amounts for discontinued operations.

Information regarding the Group's reportable segments is presented hereunder:

Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment Revenues		Segment Profit	
	2017	2016	**2017**	2016
Grocery retail	**27,533,912,036**	P24,761,363,427	**P1,275,378,270**	P1,154,283,533
Specialty retail	**3,448,025,066**	2,632,375,899	**116,710,148**	139,266,170
Liquor distribution	**1,168,857,139**	1,129,691,566	**136,258,267**	132,475,239
Real estate	**552,082,378**	576,341,742	**256,218,720**	235,321,397
Holding, oil and mining	**278,563**	209,786	**4,625,202**	(5,203,402)
Total	**32,703,155,182**	29,099,982,420	**1,789,190,607**	1,656,142,937
Eliminations	**378,273,807**	306,790,244	**-**	-
	P32,324,881,375	P28,793,192,176	**P1,789,190,607**	P1,656,142,937

Revenue reported above represents revenue generated from external customers and inter-segment sales broken down as follows:

	2017	2016
Grocery retail		
From external customers	**P27,533,912,036**	P24,761,363,427
From intersegment sales	-	-
	27,533,912,036	24,761,363,427
Specialty retail		
From external customers	**3,447,227,960**	2,631,211,136
From intersegment sales	**797,106**	1,164,763
	3,448,025,066	2,632,375,899
Real estate		
From external customers	**419,575,939**	389,400,083
From intersegment sales	**132,506,439**	186,941,660
	552,082,378	576,341,743
Liquor distribution		
From external customers	**923,886,877**	1,011,007,745
From inter-segment sales	**244,970,262**	118,683,821
	1,168,857,139	1,129,691,566
Holding, oil and mining		
From external customers	**278,563**	209,786
Total revenue from external customers	**P32,324,881,375**	P28,793,192,176
Total intersegment revenue	**P378,273,807**	306,790,244

No single customer contributed 10% or more to the Group's revenue for the periods ended March 31, 2017 and 2016.

The Group's reportable segments are all domestic operations.

Segment Assets and Liabilities

Below is the analysis of the Group's segment assets and liabilities:

	2017	2016
Segment Assets		
Grocery retail	**P61,728,908,919**	P65,382,713,756
Real estate	**23,297,278,885**	22,855,130,710
Specialty retail	**4,341,526,931**	4,181,843,631
Liquor	**5,274,400,180**	5,357,379,977
Holding, oil and mining	**96,644,524,308**	97,291,932,288
Total segment assets	**191,286,639,223**	195,069,000,362
Intercompany assets	**90,798,690,006**	91,648,803,617
Total assets	**P100,487,949,216**	P103,420,196,745
Segment Liabilities		
Grocery retail	**P17,280,518,878**	P22,211,135,127
Specialty retail	**1,345,231,596**	1,295,232,233
Real estate	**8,705,589,509**	8,519,401,217
Liquor	**2,007,081,725**	2,196,680,419
Holding, oil and mining	**8,754,960,995**	9,338,028,613
Total segment liabilities	**38,093,382,703**	43,560,477,609
Intercompany liabilities	**11,078,404,098**	11,928,517,709
Total liabilities	**P27,014,978,605**	P31,631,959,900

31. Basic/Diluted EPS Computation

Basic EPS is computed as follows:

	2017	2016
Net income attributable to equity holders of the Parent Company (a)	**P1,154,145,011**	P1,078,068,958
Weighted average number of ordinary shares (b)	**7,130,900,599**	7,139,703,570
Basic/Diluted EPS (a/b)	**P0.161851**	P0.150996

As at March 31, 2017 and December 31, 2016, the Group has no dilutive debt or equity instruments.

32. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk
Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

	Note	**2017**	2016
Cash in banks and cash equivalents	*4*	**P5,029,031,792**	P11,759,821,352
Short-term investments	*5*	**921,838,148**	909,928,496
Receivables - net	*6*	**5,758,901,725**	6,805,704,418
Due from related parties	*26*	**185,743,101**	185,135,625
Investment in debt securities	*9*	**36,719,071**	1,918,335
Security deposits	*16*	**3,756,739,155**	1,531,843,159
		P15,688,972,992	P21,194,351,385

The following is the aging analysis per class of financial assets as at March 31 and December 31:

	March 31, 2017					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		1 to 30 Days	**31 to 60 Days**	**More than 60 Days**	**Impaired**	**Total**
Cash in bank and cash equivalents	**P5,029,031,792**	**P -**	**P -**	**P -**	**P -**	**P5,029,031,792**
Short-term investments	**921,838,148**	**-**	**-**	**-**	**-**	**921,838,148**
Receivables - net	**2,708,803,526.79**	**760,730,710.34**	**429,811,046.83**	**378,895,601.42**	**741,173,706.03**	**5,019,414,591.41**
Due from related parties	**185,743,101**	**-**	**-**	**-**	**-**	**185,743,101**
Investment in debt securities	**36,719,071**	**-**	**-**	**-**	**-**	**36,719,071**
Security deposits	**3,756,739,155**	**-**	**-**	**-**	**-**	**3,756,739,155**
	P12,638,874,793.79	**P760,730,710.34**	**P429,811,046.83**	**P378,895,601.42**	**P741,173,706.03**	**P14,949,485,858.41**

	December 31, 2016					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P11,759,821,352	P -	P -	P -	P -	P11,759,821,352
Short-term investments	909,928,496	-	-	-	-	909,928,496
Receivables - net	4,354,925,336	789,553,313	372,604,945	1,288,620,824	134,839,272	6,940,543,690
Due from related parties	185,135,625	-	-	-	-	185,135,625
Investment in debt securities	1,918,335	-	-	-	-	1,918,335
Security deposits	1,531,843,159	-	-	-	-	1,531,843,159
	P18,743,572,302	P789,553,313	P372,604,945	P1,288,620,824	P134,839,272	P21,329,190,657

The Group has assessed the credit quality of the following financial assets that are neither past due nor impaired as high grade:

a. Cash in bank and cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit risk for investment in debt securities are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at March 31, 2017				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses[1]	P6,924,223,119	P6,924,223,119	P6,924,223,119	P -	P -
Short-term loans payable	4,833,325,277	4,833,325,277	4,833,325,277	-	-
Due to related parties	638,350,296	638,350,296	638,350,296	-	-
Long-term debt including current portion	7,223,504,941	8,791,070,886	454,197,714	2,467,119,953	5,869,753,219
Other current liabilities[2]	474,727,642	474,727,642	474,727,642	-	-
Noncurrent accrued rent	2,977,826,084	2,977,826,084	50,065,136	358,656,334	2,569,104,614
	P23,071,957,359	P24,639,523,304	P13,374,889,184	P2,825,776,287	P8,438,857,833

[1] *Excluding statutory payables to the government.*
[2] *Excluding gift cheques, exclusive fund, VAT payable and promotion fund and other current liabilities.*

	As at December 31, 2016				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses[1]	P11,185,860,180	P11,185,860,180	P11,185,860,180	P -	P -
Short-term loans payable	5,362,500,000	5,362,500,000	5,362,500,000	-	-
Due to related parties	690,334,673	690,334,673	690,334,673	-	-
Long-term debt including current portion	7,223,504,941	8,791,070,886	454,197,714	2,467,119,953	5,869,753,219
Other current liabilities[2]	352,812,725	352,812,725	352,812,725	-	-
Noncurrent accrued rent	3,002,201,559	3,002,201,559	41,708,695	313,703,286	2,646,789,578
	P27,817,214,078	P29,384,780,024	P18,087,413,987	P2,780,823,239	P8,516,542,797

[1] *Excluding statutory payables to the government.*
[2] *Excluding gift cheques, exclusive fund, VAT payable and promotion fund and other current liabilities.*

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. Short and long-term loan with fixed rates are not subject to interest rate risk.

The interest rate profile of the Group's fixed-rate interest-bearing financial instruments are as follows:

	Note	2017	2016
Financial assets			
Cash in banks	*4*	**P2,643,712,586**	P4,947,573,879
Money market placement	*5*	**2,385,319,206**	6,812,247,472
Short-term investments	*4*	**921,838,148**	909,928,496
		5,950,869,940	12,669,749,847
Financial Liability			
Notes payable		**12,057,350,211**	12,750,438,643
		P(6,106,480,271)	(P80,688,796)

The Group does not account for any fixed rate financial assets and liabilities at FVPL, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign Currency Risk
The Group's foreign currency risk at March 31, 2017 and December 31, 2016 pertains to its cash in bank which is denominated in US dollar.

The Group's foreign currency denominated assets as at March 31, 2017 and December 31, 2016 follow:

	As at March 31, 2017				
Currency	**Current Assets**	**Current Liabilities**	**Net Foreign Currency Liabilities**	**Exchang e Rate**	**PHP Equivalent**
USD	**2,790,926**	**6,751,862**	**(3,960,936)**	**49.72**	**(P196,937,738)**
EUR		**1,897,204**	**(1,897,204)**	**51.84**	**(98,351,055)**
SGD	**51,417**	**858**	**50,559**	**34.35**	**1,736,702**
	2,842,343	**8,649,924**	**(5,807,581)**		**(P293,552,092)**

	As at December 31, 2016				
Currency	Current Assets	Current Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	2,790,926	6,751,862	(3,960,936)	49.72	(P196,937,738)
EUR		1,897,204	(1,897,204)	51.84	(98,351,055)
SGD	51,417	858	50,559	34.35	1,736,702
	2,842,343	8,649,924	(5,807,581)		(P293,552,092)

Sensitivity Analysis
A 2% decrease in the foreign exchange rates, with all other variables held constant would have decreased the Group's income after tax and equity by P4.11 million and by P7.24 million as at December 31, 2016 and 2015, respectively. A 2% increase in the foreign exchange rates would have the equal but opposite effect, on the basis that all other variables remains constant.

The analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group defines capital as paid-up capital, remeasurements and retained earnings.

There were no changes in the Group's approach to capital management during the year.

33. Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at March 31, 2017 and December 31, 2016.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties and Security Deposits

The carrying amounts of cash and cash equivalents, short-term investments, receivables and due from related parties approximate their fair values due to the relatively short-term maturities of these financial instruments. In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Investments in Trading Securities and Available-for-Sale Financial Assets

The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates. Unquoted equity securities are carried at cost less impairment.

Accounts Payable and Accrued Expenses, Trust Receipts Payable, Due to Related Parties, Other Current Liabilities and Noncurrent Accrued Rent

The carrying amounts of accounts payable and accrued expenses, trust receipts payable, due to related parties and other current liabilities approximate the fair value due to the relatively short-term maturities of these financial instruments. The difference between the carrying amounts and fair values of noncurrent accrued rent and other current liabilities is considered immaterial by management.

Short and Long-term Loans including Current Maturities

The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Carrying amounts approximate fair value.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2017 and December 31, 2016, the Group's investment in trading securities and AFS were measured based on Level 1.

As at March 31, 2017 and December 31, 2016, the Group has no financial instruments valued based on Level 2 and 3 and has not introduced any movement among Levels 1, 2 and 3 classifications.

SIGNATURE

Pursuant to the requirements of the Securities and Regulation Code, the Issuer has duly caused this First Quarter Financial Statements of Cosco Capital, Inc. and its subsidiaries for the year 2017 to be signed on its behalf by the undersigned thereunto duly authorized.

May 12, 2017 in the City of Manila.

COSCO CAPITAL, INC.

By:

LEONARDO B. DAYAO
President

TEODORO A. POLINGA
Comptroller

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OSCAR S. REYES**, Filipino, of legal age and a resident of Unit 6 Kasiyahan Homes, 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee identified as Independent Director of **COSCO CAPITAL INC.** since 2009.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
Philippine Long Distance Tel. Co.	Director Member, Advisory Board	2001-2010 2010 - present
Bank of the Philippine Islands	Director Member, Advisory Council	2003 – 2016 2016-present
Manila Electric Company	President & CEO / Director	2012 - present 2010 - present
Pepsi Cola Products Philippines Inc.	Chairman	2007 - present
Basic Energy Inc.	Independent Director	2007 - present
Manila Water Co., Inc.	Independent Director	2005 - present
Sun Life Financial Plans Inc.	Independent Director	2006 - present
Sun Life Prosperity Funds	Independent Director	2002 – present
Grepalife Dollar Bond Fund Corporation	Independent Director	2011 - present
Grepalife Fixed Income Fund Corporation	Independent Director	2011 - present
Grepalife Bond Fund Corporation	Independent Director	2011 - present
Petrolift Inc.	Independent Director	2007 – present
Meralco Powergen Corporation	President/Director	2010 - present
Redondo Peninsula Energy Inc.	Chairman	2011- present
Meralco Industrial Engineering Services Inc.	Chairman	2010 - present
Meralco Energy Inc.	Chairman	2010 - present
CIS Bayad Center, Inc.	Chairman	2010 – present
PacificLight Power Pte Ltd.	Chairman	2013 - present
MRail Inc.	Chairman	2015 - present
MSpectrum Inc.	Chairman	2015-present
Atimonan One Energy Inc.	Chairman	2016 -present
Aurora Managed Power Services Inc.	Chairman	2016 - present
PLDT Communications & Energy Ventures Inc.	Director	2013 - present
Asian Eye Institute	Director	2010 - present
Republic Surety & Insurance Co., Inc.	Director	2010 - present
Clark Electric Development Corporation	Director	2013-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **COSCO CAPITAL, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances

4. I am not related to any director/officer/substantial shareholder of **COSCO CAPITAL INC**.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the corporate secretary of **COSCO CAPITAL, INC**. of any changes in the abovementioned information within five days from its occurrence.

Done, this 25th day ofMay, 2017, at Pasig City.

Affiant

SUBSCRIBED AND SWORN to before me, a notary public in and for the City of ______ this ___ day of MAY 3 0 2017. The affiant, whom I identified through the following competent evidence of identity: Philippine Passport No. EB 8380979 expiring on 12 June 2018, personally signed the foregoing instrument before me and avowed under penalty of law to the whole truth of the contents of said instrument.

WITNESS MY HAND AND SEAL on the date and at the place first abovementioned.

NOTARY PUBLIC

Doc. No. 357;
Page No. 73;
Book No. VI,
Series of 2017.

CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
APPOINTMENT NO. 2016-068
UNTIL DECEMBER 31, 2017
PTR NO. 5993454 MANILA 01-03-17
IBP NO. 1062578/2-2-17/PPLM
MCLE COMPLIANCE NO. V-0014291/02-16-2016
ROLL NO. 55392/05-02-08
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007

ANNEX "E"

CERTIFICATE OF INDEPENDENT DIRECTOR

I, ROBERT Y. COKENG, Filipino, of legal age and resident of the Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Cosco Capital, Inc. and have been its independent director since August 30, 2013 (where applicable).

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
F&J Prince Holdings Corporation (PSE Listed Co.) and Subsidiaries	Chairman-President	President since 1996
Pointwest Technologies Corp.	Chairman	Chairman or Vice-Chairman since 2003
Business Process Outsourcing International	Director and Chairman - Exec. Committee	Since 2004
Consolidated Tobacco Industries of the Philippines	Chairman-President	Since 1986
Center Industrial and Investment	Chairman-President	Since 1986
Essential Holdings Limited	Managing Director	Since 1995
IPADS Developers Inc.	Chairman	Since 2010

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director Cosco Capital, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rule and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Mary Cokeng	F&J Prince Holdings Corp.	Spouse
Mark Cokeng	F&J Prince Holdings Corp.	Son
Francisco Cokeng Jr.	F&J Prince Holdings Corp.	Brother
Johnson Co	F&J Prince Holdings Corp.	Cousin

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NONE		

6. (For those in government service/affiliated with government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in ____________________, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Cosco Capital, Inc. of any changes in the above-mentioned information within five days from its occurrences.

Done, this ___ day of May 2017, at City of Manila.

ROBERT Y. COKENG
Affiant

MAY 30 2017

SUBSCRIBED AND SWORN to before me this 30 day of May 2017 at City of Manila, affiant personally appeared before me and exhibited to his/her Phil. Passport no. P1965076A issued at Manila on Feb. 20, 2017.

Doc. No. 356;
Page No. 73;
Book No. VI;
Series of 2017.

CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
APPOINTMENT NO. 2016-068
UNTIL DECEMBER 31, 2017
PTR NO. 5993454 MANILA 01-03-17
IBP NO. 1062578/2-2-17/PPLM
MCLE COMPLIANCE NO. V-0014291/02-16-2016
ROLL NO. 55392/05-02-08
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007

ANNEX "F"

Certificate of Independent Director

I, Atty. Bienvenido E. Laguesma, Filipino, of legal age and resident of 19 Acacia St., South Green Park Village, Tandang Sora, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Cosco Capital, Inc.
2. I am affiliated with the following companies or organizations (including Local Government Educational Institution):

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
Laguesma Magsalin Consulta & Gastardo Law Offices	Senior Partner	2012 to present
Charter Ping An Corporation	Vice-Chairman	2016 to present
Camerton Holdings, Inc.	Director	2016 to present
Pamantasan ng Lungsod ng Maynila	Member, Board of Regents	2015 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cosco Capital, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rule and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of Cosco Capital, Inc.

5. I am one of the respondents in an administrative proceeding pending before the Office of the Ombudsman in my former capacity as SSS Commissioner involving a transaction when I was not a Commissioner yet.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Cosco Capital, Inc. of any changes in the above-mentioned information within five days from its occurrence.

JUN 08 2017

Done, this ___ day of June 2017 at Manila, Philippines.

ATTY. BIENVENIDO E. LAGUESMA
Affiant

JUN 08 2017

SUBSCRIBED AND SWORN to before me this ____ day of June 2017 at City of Manila, Atty. Bienvenido Laguesma personally appeared before me and exhibited to his identification card bearing his photograph and picture.

Doc. No. 407;
Page No. 83,
Book No. 13,
Series of 2017.

CHERRIE LYNNE MAY T. REYES
Notary Public for the City of Manila
Commission No. 2016-051 until Dec. 31, 2017
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 5993487/01-03-17.Mla.
No. 900 Romualdez St., Paco, Manila