



November 11, 2015

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

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

Ms. Trixie Posadas
SEC Examiner

Philippine Stock Exchange
Ayala Avenue, Makati City

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

Subject: PUREGOLD PRICE CLUB, INC. SEC 17-Q AS OF SEPTEMBER 30, 2015

GENTLEMEN:

For submission is the attached SEC 17-Q / Third Quarter Consolidated Financial Statements of Puregold Price Club, Inc. for CY 2015.

Very truly yours,


Atty. Candy H. Dacanay-Datuon
Assistant Corporate Secretary

COVER SHEET

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SEC Registration Number

PUREGOLD PRICE CLUB, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,

MANILA

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

CANDY DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

1 2

Month

3 1

Day

SEC FORM 17-Q

(Form Type)

0 5

Month

1 2

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: September 30, 2015
2. Commission identification number: A1998133754
3. BIR Tax Identification No.: 201-277-095
4. Exact name of issuer as specified in its charter: Puregold Price Club, Inc.
5. Province, country or other jurisdiction of incorporation or organization: Manila, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: No. 900 Romualdez St., Paco, Manila Postal Code: 1007
8. Issuer's telephone number, including area code: (632) 523-3055
9. Former name, former address and former fiscal year, if changed since last report: Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares
Common Shares	Outstanding: 2,765,981,406 Debt: 4,897,500,000.00

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

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common Shares

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 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (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 ninety (90) days.

Yes [] No []

FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached SECTION A

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

The following should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Report. The interim financial statements and notes thereto have been prepared in accordance with the generally accepted accounting principles in the Philippines.

Top Key Performance Indicators

The following are the financial soundness indicators used by the Group as at September 30 and December 31 and for the nine-month periods ended September 30:

	September 2015	December 2014
Current Ratio ⁽¹⁾	1.79:1	1.48:1
Asset to Equity Ratio ⁽²⁾	1.42:1	1.57:1
Debt to Equity Ratio ⁽³⁾	0.42:1	0.57:1
Debt to Total Assets Ratio ⁽⁴⁾	0.29:1	0.36:1
Book Value per Share ⁽⁵⁾	P13.53	P12.38
Price Earnings Ratio ⁽⁶⁾	* 18.75x	23.59x

* Based on annualized EPS

	September 2015	September 2014
Earnings per Share ⁽⁷⁾	P1.16	P1.09
Return on Assets ⁽⁸⁾	6.0%	6.2%
Return on Equity ⁽⁹⁾	8.9%	9.4%

- a.1. Current Assets over Current Liabilities
- a.2. Total Assets over Total Equity
- a.3. Total Liabilities over Total Equity
- a.4. Total Liabilities over Total Assets
- a.5. Total Equity over Total Common Shares Outstanding
- a.6. Market Value per Share over Earnings per Share
- a.7. Net income after tax over Weighted Average Common Shares Outstanding
- a.8. Net income after tax over Average Total Assets
- a.9. Net income after tax over Average Total Equity

I. Results of Operations

For the nine-month period ended September 30, 2015, the Group earned a consolidated net income of P3,203 million at 4.8% net margin and an increase of 6.5% from P3,007 million at 5.0% net margin in 2014 of the same period. This was principally driven by the continuous expansion of the Group both organic as well as strategic acquisitions and investments and combined management effort to boost revenue driven from old and new stores while maintaining efficiency on operating expenses at its current level.

The Group's financial results are presented below for the comparative periods:

<i>(Php in millions)</i>	For the Nine-month Periods Ended September 30					For the Three-month Periods July 1 to September 30			
	2015	% to Net Sales	2014	% to Net Sales	% Change	2015	% to Net Sales	2014	% to Net Sales
Net Sales	P67,334	100.0%	P59,800	100.0%	12.6%	P24,191	100.0%	P21,251	100.0%
Cost of Sales	56,382	83.7%	49,548	82.9%	13.8%	20,300	83.9%	17,354	81.7%
Gross Profit	10,952	16.3%	10,252	17.1%	6.8%	3,891	16.1%	3,897	18.3%
Other Operating Income	2,352	3.5%	2,010	3.4%	17.0%	852	3.5%	734	3.5%
Gross Income	13,304	19.8%	12,263	20.5%	8.5%	4,743	19.6%	4,631	21.8%
Operating Expenses	8,727	13.0%	7,967	13.3%	9.5%	3,026	12.5%	2,701	12.7%
Operating Income	4,578	6.8%	4,296	7.2%	6.6%	1,718	7.1%	1,930	9.1%
Other income (expense) – net	(29)	0.0%	(14)	0.0%	105.4%	(18)	-0.1%	(3)	0.0%
Income before income tax	4,548	6.8%	4,281	7.2%	6.2%	1,700	7.0%	1,927	9.1%
Income tax expense	1,345	2.0%	1,275	2.1%	5.5%	503	2.1%	576	2.7%
Net Income	P3,203	4.8%	P3,007	5.0%	6.5%	P1,196	4.9%	P1,350	6.4%

Net Sales

For the nine-month period ended September 30, 2015, the Group posted a consolidated net sales of P67,334 million for an increase of P7,534 million or 12.6% compared to P59,800 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 nine-month periods ended September 30 are as follow:

	2015	2014
Net Sales	2.5%	2.8%
Net Ticket	4.5%	2.9%
Traffic	-1.9%	-1.3%

Gross Profit

For the nine-month period ended September 30, 2015, the Group realized an increase of 6.8% in consolidated gross profit from P10,252 million in 2014 to P10,952 million in 2015 of the same period, driven by strong sales growth from new and old stores and continuous suppliers' support through rebates and conditional discounts granted during the period. Consolidated gross profit margin was posted at 16.3% and 17.1% while gross income stood at 19.8% and 20.5% for the nine-month periods ended September 30, 2015 and 2014, respectively.

Other Operating Income

Other operating income increased by P342 million or 17.0% from P2,010 million in the nine-month period ended September 30, 2014 to P2,352 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 P760 million or 9.5% from P7,967 million in the nine-month period ended September 30, 2014 to P8,727 million in 2015 of the same period. The increase was mainly attributable to manpower cost of the Group's new stores, as well as rent expenses relative to new lease contracts, supplies expense and taxes, all related to acquisitions and operation of new stores.

Other Expense - net

Other expenses net of other income amounted to P29 million and P14 million for the nine-month periods ended September 30, 2015 and 2014, respectively. The increase was due to interest expenses from additional loans availed during the period.

Net Income

For the nine-month period ended September 30, 2015, the Group earned a consolidated net income of P3,203 million at 4.8% net margin and an increase of 6.5% from P3,007 million at 5.0% net margin in 2014 of the same period. This was principally driven by the continuous expansion of the Group both organic as well as strategic acquisitions and investments and combined management effort to boost revenue driven from old and new stores while maintaining efficiency on operating expenses at its current level.

II. Financial Condition

The Group's consolidated statements of financial position for the period ended September 30, 2015 and year ended December 31, 2014 are presented below:

<i>(In millions)</i>	September 2015		December 2014		% Change
		% to Total Assets		% to Total Assets	
Cash & cash equivalents	P1,962	3.7%	P6,758	12.6%	-71.0%
Receivables – net	1,852	3.5%	1,946	3.6%	-4.8%
Merchandise inventory	12,854	24.3%	11,167	20.8%	15.1%
Investments in trading securities	34	0.1%	37	0.1%	-8.2%
Prepaid expenses and other current assets	978	1.8%	573	1.1%	70.7%
Total Current Assets	17,680	33.4%	20,481	38.2%	-13.7%
Investments and acquisitions of subsidiaries	862	1.6%	792	1.5%	8.9%
Property and equipment - net	13,996	26.4%	13,132	24.5%	6.6%
Intangibles and goodwill	19,073	36.0%	18,017	33.6%	5.9%
Other noncurrent assets	1,384	2.6%	1,245	2.3%	11.2%
Total Noncurrent Assets	35,315	66.6%	33,185	61.8%	6.4%
	P52,995	100.0%	P53,666	100.0%	-1.3%
Accounts payable and accrued expenses	6,023	11.4%	10,465	19.5%	-42.4%
Short-term loans payable	2,358	4.4%	1,364	2.5%	72.9%
Income tax payable	568	1.1%	660	1.2%	-14.0%
Trust receipts payable	2	0.0%	-	0.0%	0.0%
Due to related parties	26	0.0%	27	0.0%	-1.6%
Current maturities of long-term loans, net of debt issue costs	630	1.2%	963	1.8%	-34.6%
Other current liabilities	247	0.5%	357	0.7%	-30.9%
Total Current Liabilities	9,853	18.6%	13,835	25.8%	-28.8%
Noncurrent accrued rent	2,382	4.5%	2,069	3.9%	15.2%
Long-term loans - net of current maturities and debt issue costs	2,395	4.5%	2,493	4.6%	-4.0%
Deferred tax liabilities - net	552	1.0%	642	1.2%	-14.0%
Retirement benefits liability	394	0.7%	394	0.7%	0.0%
Total Noncurrent Liabilities	5,723	10.8%	5,598	10.4%	2.2%
Total Liabilities	P15,576	29.4%	P19,433	36.2%	-19.8%
Capital stock	2,785	5.3%	2,783	5.2%	0.1%
Additional paid in capital	20,830	39.3%	20,830	38.8%	0.0%
Remeasurements of retirement liability - net of tax	(42)	-0.1%	(42)	-0.1%	0.0%
Treasury stock – at cost	(40)	-0.1%	(21)	0.0%	90.5%
Retained earnings	13,885	26.2%	10,683	19.9%	30.0%
Total Equity	37,419	70.6%	34,233	63.8%	9.3%
	P52,995	100.0%	P53,666	100.0%	-1.3%

Working Capital

As at September 30, 2015 and December 31, 2014, the Group's working capital stood at P7,828 million and P6,646 million, respectively. The Group's current ratio improved to 1.79 as at September 2015 from 1.48 as at December 2014.

Current Assets

As at September 30, 2015 and December 31, 2014, total current assets amounted to P17,680 million or 33.4% of total assets, and P20,481 million or 38.2% of total assets, respectively, for a decrease of P2,801 million or 13.7% as at September 30, 2015.

Cash and cash equivalents as at September 30, 2014 amounted to P1,962 million or 3.7% of total assets and decreased by P4,796 million or 71.0% compared to previous year-end balance. Decrease in the account was attributable mainly to settlement of trade and non-trade payables, payment for 2014 cash dividend, acquisition of NE supermarkets and capital expenditures for 2015 new stores.

Receivables amounted to P1,852 million as at September 30, 2015 or 3.5% of total assets, with a decrease of P94 million or 4.8% from P1,946 million in December 2014. The decrease was due to collections made during the period, bulk of which came from the high year end receivables as a result of the long holidays. This includes trade and non-trade receivables, net of P7 million allowance for impairment losses.

Merchandise inventory amounted to P12,854 million or 24.3% of total assets at the end of September 2015. Total inventory increased by P1,687 million or 15.1% principally due to stocking requirements of existing and new operating stores.

Investments in trading securities amounted to P34 million as at September 30, 2015 from P37 million in December 2014 and decreased by P3 million or 8.2% due to unrealized loss on change in fair market values.

Prepaid expenses and other current assets increased by P405 million or 70.7% due to increase in 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, creditable withholding tax and advance payment of rent for soon to open stores.

Noncurrent Assets

As at September 30, 2015 and December 31, 2014, total noncurrent assets amounted to P35,315 million or 66.6% of total assets, and P33,185 million or 61.8% of total assets, respectively, for an increase of P2,130 million or 6.4% as at September 30, 2015.

Investments increased by P70 million or 8.9% from P792 million in December 2014 to P862 million in September 2015 due mainly to additional investment to Ayagold during the period.

Net book values of property and equipment increased by P864 million or 6.6% from P13,132 million in December 2014 to P13,996 million in September 2015.

Intangibles increased by P1,056 million or 5.9% from P18,017 million in December 2014 to P19,073 million in September 2015 due to goodwill recognized as a result of acquisition of NE supermarkets and Budgetlane stores.

Other noncurrent assets increased by P139 million or 11.2% from P1,245 million in December 2014 to P1,384 million in September 2015. This was primarily due to increase in advance rent and deposits made in relation to new leases acquired for operation of new stores.

Current Liabilities

As at September 30, 2015 and December 31, 2014, total current liabilities amounted to P9,853 million or 18.6% of total assets, and P13,835 million or 25.8% of total assets, respectively, for a decrease of P3,982 million or 28.8% as at September 30, 2015.

Accounts payable and accrued expenses decreased by P4,442 million or 42.4% primarily due to settlement of trade and nontrade liabilities, bulk of which came from the high year end payables as a result of the long holidays, and payment of cash dividend to stockholders.

Loans payable increased by P994 million or 72.9% from P1,364 million in December 2014 to P2,358 million in September 2015 due to availment of short term loan during the period intended to augment general working capital and for business acquisitions.

Income tax payable decreased by P92 million from P660 million in December 2014 to P568 million in September 2015 due to settlement made for prior year end and first half income taxes.

Due to related parties amounted to P26 million and P27 million for the period ended September 2015 and December 2014, respectively. This pertains to royalty fees.

Other current liabilities decreased by P111 million or 30.9% from P357 million in December 2014 to P247 million in September 2015 relatively due to redemption of PERKS points earned by members and recognition of other income from promotions for the period.

Noncurrent Liabilities

As at September 30, 2015 and December 31, 2014, total noncurrent liabilities amounted to P5,723 million or 10.8% of total assets, and P5,598 million or 10.4% of total assets, respectively, for an increase of P125 million or 2.2% as at September 30, 2015.

Noncurrent accrued rent increased by P314 million or 15.2% from P2,069 million in December 2014 to P2,382 million in September 2015 due to recognition of rent expense for lease contracts entered into by the Parent Company and its subsidiaries in compliance with PAS 17 – *Leases*.

Deferred tax liabilities net of deferred tax assets decreased by P90 million or 14.0% due to increase in deferred tax assets arising from accrual of rent expense.

III. Sources and Uses of Cash

The Group's primary sources of liquidity are basically net cash inflows provided by operating activities and cash obtained from loans with banks as and when required. Principal uses of cash are operating expenses, capital expenditures for stores expansion as well as investments in strategic business acquisitions of existing and operating supermarket store outlets.

A brief summary of cash flows during the comparative periods is shown below:

<i>(In millions)</i>	For the Nine-month Periods Ended September 30	
	2015	2014
Net cash used in operating activities	(P1,316)	(P1,243)
Net cash used in investing activities	(3,194)	(1,289)
Net cash used in financing activities	(286)	(580)
Net decrease in cash and cash equivalents	(P4,796)	(P3,112)

Net cash used in operating activities amounted to P1,316 million for the nine-month period ended September 30, 2015. This was mainly attributable to settlement of payables to both trade and nontrade suppliers to avail early payment discounts, purchase of inventories and other related current operating items to support the Group's expansion.

Net cash used in investing activities amounted to P3,194 million for the nine-month period ended September 30, 2015. This was utilized for the acquisition of equipments, furniture & fixtures, construction of buildings and improvements on leased assets as at the end of the period. During the period, the Group also acquired 9 NE supermarkets operated by Daily Commodities Inc. and First Lane Supertraders Co. Inc. and 8 Budgetlane supermarkets operated by Goldtempo Company Incorporated.

Net cash used in financing activities amounted to P286 million for the nine-month period ended September 30, 2015. This pertains to payment of P830 million cash dividends to stockholders net of availment of short term loans during the period.

IV. Material Events and Uncertainties

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

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;

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the year.

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business in line with the Group's retail outlets expansion program.

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.

There are no significant elements of income not arising from continuing operations.

The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from Christmas and New Year holidays.

SECTION A

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015 and December 31 , 2014
and for the Nine Months Ended September 30, 2015 and 2014

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		September 2015 (Unaudited)	December 2014 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	4, 28, 29	P1,962,069,129	P6,758,425,910
Receivables – net	6, 22, 28, 29	1,852,065,332	1,945,716,570
Merchandise inventory	7	12,854,017,734	11,166,772,652
Investments in trading securities	8, 29	34,372,376	37,448,469
Prepaid expenses and other current assets	9	977,912,235	572,881,642
Total Current Assets		17,680,436,806	20,481,245,243
Noncurrent Assets			
Investments	10, 29	861,552,768	791,502,186
Property and equipment – net	11	13,995,928,701	13,131,512,950
Intangibles and goodwill	12	19,073,116,367	18,016,918,782
Other noncurrent assets	13, 18, 28, 29	1,384,406,777	1,245,216,534
Total Noncurrent Assets		35,315,004,613	33,185,150,452
		P52,995,441,419	P53,666,395,695
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	14, 22, 25, 28, 29	P6,022,783,989	P10,464,531,775
Short-term loans payable	15, 28, 29	2,357,500,000	1,363,500,000
Income tax payable		567,757,651	659,988,778
Trust receipts payable	28, 29	1,573,230	-
Due to related parties	22, 28, 29	26,230,557	26,654,003
Current maturities of long - term loans, net of debt issue costs	15, 28, 29	630,000,000	962,920,038
Other current liabilities	16, 28, 29	246,861,016	357,460,702
Total Current Liabilities		9,852,706,443	13,835,055,296
Noncurrent Liabilities			
Noncurrent accrued rent	28, 29	2,382,252,856	2,068,506,537
Long-term loans - net of current maturities and debt issue costs	15, 28, 29	2,394,562,604	2,493,114,552
Deferred tax liabilities – net	24	552,102,224	641,886,305
Retirement benefits liability	23	394,338,336	394,338,336
Total Noncurrent Liabilities		5,723,256,020	5,597,845,730
Total Liabilities		15,575,962,463	19,432,901,026
Equity			
Capital stock	25	2,785,362,877	2,783,317,412
Additional paid-in capital	25	20,830,391,081	20,830,391,081
Remeasurements of retirement benefits liability - net of tax	23	(41,961,983)	(41,961,983)
Treasury stock, at cost	25	(39,650,814)	(20,810,608)
Retained earnings	25	13,885,337,795	10,682,558,767
Total Equity		37,419,478,956	34,233,494,669
		P52,995,441,419	P53,666,395,695

See Notes to the Interim Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	<i>Note</i>	For the Nine-month Periods Ended September 30		For the Three-Month Periods July 1 to September 30	
		2015	2014	2015	2014
NET SALES					
Gross sales		P67,469,892,693	P59,931,693,362	P24,239,813,530	P21,298,812,585
Sales discount		135,696,070	131,726,089	48,631,976	47,731,774
		67,334,196,623	59,799,967,273	24,191,181,554	21,251,080,811
COST OF SALES	7, 17	56,382,211,158	49,547,521,150	20,300,021,528	17,354,020,066
GROSS PROFIT		10,951,985,465	10,252,446,123	3,891,160,026	3,897,060,745
OTHER OPERATING INCOME	19	2,352,131,586	2,010,107,799	852,332,398	733,570,212
		13,304,117,051	12,262,553,922	4,743,492,424	4,630,630,957
OPERATING EXPENSES	20	8,726,548,353	7,966,765,958	3,025,701,957	2,700,986,284
INCOME FROM OPERATIONS		4,577,568,698	4,295,787,964	1,717,790,467	1,929,644,673
OTHER INCOME (EXPENSES)					
Interest income	4, 5	16,216,205	12,658,354	2,564,525	1,817,825
Interest expense	15	(49,829,239)	(34,600,852)	(12,345,989)	(12,033,337)
Others – net	8, 21	4,113,561	7,577,403	(8,212,740)	7,474,262
		(29,499,473)	(14,365,095)	(17,994,204)	(2,741,250)
INCOME BEFORE INCOME TAX		4,548,069,225	4,281,422,869	1,699,796,263	1,926,903,423
INCOME TAX EXPENSE					
Current		1,434,396,405	1,367,084,416	534,867,876	609,343,446
Deferred		(89,106,208)	(92,323,266)	(31,404,954)	(32,896,350)
	24	1,345,290,197	1,274,761,150	503,462,922	576,447,096
NET INCOME		P3,202,779,028	P3,006,661,719	P1,196,333,341	P1,350,456,327
Basic and diluted earnings per share	27	P1.16	P1.09	P0.43	P0.49

See Notes to the Interim Consolidated Financial Statements.

Periods Ended September 30

	Note	Capital Stock	Additional Paid in Capital	Remeasurements of Retirement Liability	Retained Earnings	Treasury Stocks - At Cost	Total Equity
Balance at December 31, 2013		P2,783,317,412	P20,830,391,081	(P2,520,490)	P6,992,023,004	(P16,911,006)	P30,586,300,001
Total comprehensive income		-	-	-	3,006,661,719	-	3,006,661,719
Net income for the year		-	-	-	3,006,661,719	-	3,006,661,719
Total comprehensive income		-	-	-	3,006,661,719	-	3,006,661,719
Balance at September 30, 2014		P2,783,317,412	P20,830,391,081	(P2,520,490)	P9,998,684,723	(P16,911,006)	P33,592,961,720
Balance at December 31, 2014		P2,783,317,412	P20,830,391,081	(P41,961,983)	P10,682,558,767	(P20,810,608)	P34,233,494,669
Total comprehensive income		-	-	-	3,202,779,028	-	3,202,779,028
Net income for the year		-	-	-	3,202,779,028	-	3,202,779,028
Total comprehensive income		-	-	-	3,202,779,028	-	3,202,779,028
Transactions with owners of the Parent Company							
Issuance of ordinary shares/effect of merger with Company E	25	2,045,465	-	-	-	-	2,045,465
Treasury shares - at cost	25	-	-	-	-	(18,840,206)	(18,840,206)
Total transactions with owners of the Parent Company		2,045,465	-	-	-	(18,840,206)	(16,794,741)
Balance at September 30, 2015		P2,785,362,877	P20,830,391,081	(P41,961,983)	P13,885,337,795	(P39,650,814)	P37,419,478,956

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

		Periods Ended September 30	
	<i>Note</i>	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P4,548,069,225	P4,281,422,869
Adjustments for:			
Depreciation and amortization	<i>11, 12, 20</i>	943,081,579	882,386,943
Rent expense in excess of billings		313,733,303	357,056,570
Interest expense	<i>15</i>	49,829,239	34,600,852
Share in net income of associate		(20,050,582)	-
Interest income	<i>4, 5</i>	(16,216,205)	(12,658,354)
Dividend income	<i>21</i>	(892,591)	(818,351)
Loss (gain) on disposal of property and equipment		423,262	(220,000)
Unrealized valuation gain (loss) in trading securities	<i>8, 21</i>	3,913,185	(6,948,902)
Gain on insurance claim		-	(7,039,364)
Operating income before changes in working capital		5,821,890,415	5,527,782,263
Decrease (Increase) in:			
Receivables		237,401,238	432,941,885
Investments in trading securities		(837,092)	-
Merchandise inventory		(1,687,245,082)	(1,026,231,555)
Prepaid expenses and other current assets		(405,030,593)	70,405,218
Increase (decrease) in:			
Accounts payable and accrued expenses		(3,611,005,949)	(4,939,700,651)
Trust receipts payable		1,573,230	(16,543,219)
Due to a related party	<i>22</i>	(423,446)	(28,806,671)
Other current liabilities		(110,586,671)	68,999,424
Cash generated by operations		245,736,050	88,846,694
Interest received		16,216,205	12,658,354
Interest paid		(50,649,153)	(34,817,176)
Income taxes paid		(1,527,305,404)	(1,310,122,438)
Net cash used in operating activities		(1,316,002,302)	(1,243,434,566)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	<i>11</i>	(1,948,232,466)	(1,348,295,966)
Additions to investments	<i>10</i>	(50,000,000)	(350,000,000)
Maturity of short-term investments	<i>5</i>	-	500,000,000
Additions to intangibles	<i>12</i>	(1,073,977,363)	(23,842,025)
Increase in other noncurrent assets		(139,190,243)	(37,931,341)
Contributions paid in plan assets		-	(25,000,000)
Proceeds from insurance claim		-	(7,039,364)
Proceeds from disposal of property and equipment		16,569,666	2,444,536
Dividends received		892,591	818,351
Net cash used in investing activities		(3,193,937,815)	(1,288,845,809)
<i>Forward</i>			

CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of short-term loans payable	15	P1,577,500,000	P250,000,000
Settlement of short-term loans payable	15	(583,500,000)	-
Settlement of long-term loans payable	15	(433,700,000)	-
Payments for treasury shares	25	(16,794,741)	-
Cash dividends paid	25	(829,921,923)	(829,921,923)
Net cash used in financing activities		(286,416,664)	(579,921,923)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(4,796,356,781)	(3,112,202,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	4	6,758,425,910	5,298,726,281
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	4	P1,962,069,129	P2,186,523,983

See Notes to the Interim Consolidated Financial Statements

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Puregold Price Club, Inc. (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 8, 1998. Its shares are listed in the Philippine Stock Exchange (PSE) since October 5, 2011 with stock symbol of PGOLD. Its immediate and ultimate parent company is Cosco Capital, Inc. (Cosco) which is incorporated in the Philippines. Cosco is formerly named Alcorn Gold Resources Corporation and is also listed with the PSE since September 26, 1998.

The Parent Company is principally involved 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 registered office is located at 900 Romualdez Street, Paco, Manila.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as "the Group") which are all incorporated in the Philippines:

	Percentage of Ownership	
	2015	2014
Kareila Management Corporation (Kareila) ^(a)	100.00	100.00
PPCI Subic Inc. (PPCI Subic) ^(b)	100.00	100.00
Company E Corporation (Company E) ^(c)	-	100.00
Entenso Equities Incorporated, Inc. (Entenso) ^(d)	100.00	100.00

(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 (see Note 10).

(b) Incorporated and registered with the Philippine SEC on May 31, 2012 and started commercial operations on September 20, 2012 (see Note 10).

(c) Incorporated and registered with the Philippine SEC on January 13, 1993 primarily to engage in the same business as the Parent Company; acquired by the Parent Company on January 14, 2013 through a stock acquisition (see Note 10). In April 2015, Company E was merged with the Parent Company.

(d) Incorporated and registered with the Philippine SEC on May 22, 2013 as a holding company (see Note 10).

All subsidiaries are engaged in the same business as the Parent Company except for Entenso whose primary purpose is to invest in, purchase, subscribe 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 of description.

Acquisition of Company E

On January 14, 2013, the Parent Company's BOD approved the acquisition of Company E (the company behind the Eunilaine Foodmart and Grocer E Supermart chains) via share acquisition.

Acquisition of Entenso

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

Acquisition of PPCI Subic

The Parent Company invested P3.13 million in PPCI Subic Inc., an entity incorporated in the Philippines on May 31, 2012. The investment represents 100% of the issued capital stock of Subic (see Note 10).

Acquisition of Kareila

On May 28, 2012, the Parent Company issued 766,406,250 new common shares, with P1 par value, from its own authorized but unissued capital in exchange for 1,703,125 common shares, with P100 par value per share of Kareila representing 100% of its outstanding capital stock (see Note 10). The fair market value of the Parent Company's shares based on the observable market price as at the date of acquisition is P21.50 per share or P16,477.73 million.

Merger with Company E

On March 25, 2014, the BOD approved the merger of Company E Corporation with the Parent Company. It was then ratified by at least two-thirds (2/3) votes of the stockholders on May 13, 2014 during the annual stockholders' meeting. On March 12, 2015, the Plan and Articles of Merger by and between the Parent Company and Company E Corporation was approved by SEC. Effective April 1, 2015, the entire assets and liabilities of Company E Corporation were transferred to and absorbed by the Parent Company.

Salient features of the Plan of Merger are as follows:

- The Parent Company shall be the surviving entity and the existence of Company E shall cease. The effective date of the merger shall be the date when the SEC approves and issues the Certificate of Merger.
- All the assets, rights, powers, privileges, immunities, franchises and businesses of Company E as at the effective date of the merger, shall be deemed assigned, transferred to and vested to the Parent Company pursuant to Section 80(A) of the Corporation Code, without need of any further act or deed.
- Upon the effective date of merger, the Parent Company shall assume all outstanding liabilities, obligations and undertakings of Company E as at the effective date of merger.
- All issued and outstanding capital stock of Company E on the effective date of the merger shall be cancelled but no new shares of stock shall be issued to the stockholders of Company E considering that the constituent entity is a wholly-owned subsidiary of the Parent Company.

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

The Group's consolidated financial statements have been prepared on the historical cost basis of accounting, except for:

Items	Measurement Bases
Investments in trading securities	Fair value
Retirement benefits liability	Present value of defined benefit obligation less fair value of the plan asset

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 Judgments, Estimates and Assumptions

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

Judgments

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

Classifying Financial Instruments

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

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

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

Determining the Fair Value of Financial Instruments

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.

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 September 30, 2015 and December 31, 2014, the cost of its investments in joint ventures amounted to P442.73 (see Note 10).

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 the Group. Property and equipment or owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

The Group has determined that its properties are classified as owner-occupied properties.

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 the arrangement conveys a right to use the asset.

Operating Leases - Group as a Lessee

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

Rent expense recognized in profit or loss amounted to P1,685.34 million and P1,548.10 million in September 30, 2015 and 2014, respectively (see Notes 18 and 20).

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 P281.08 million and P263.30 million in September 30, 2015 and 2014, respectively (see Notes 18 and 19).

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.

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 P7.46 million as at September 30, 2015 and December 31, 2014. In 2015 and 2014, the Group did not recognize an additional allowance for impairment losses on receivables because the Group believes that all outstanding receivables are recoverable. The carrying amount of receivables amounted to P1,852.07 million and P1,945.72 million as at September 30, 2015 and December 31, 2014, respectively (see Note 6).

Estimating Net Realizable Value (NRV) of Merchandise Inventory

The Group carries merchandise inventory at NRV whenever the selling price less costs to sell 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 prices or costs directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The NRV is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying amount of merchandise inventory amounted to P12,854.02 million and P11,166.77 million as at September 30, 2015 and December 31, 2014, 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 recognized in profit or loss amounted to P925.30 million and P874.23 million in September 30, 2015 and 2014, respectively (see Note 11). Property and equipment, net of accumulated depreciation, amounted to P13,995.93 million and P13,131.51 million as at September 30, 2015 and December 31, 2014, respectively (see Note 11).

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 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 assumptions used.

Amortization recognized in profit or loss amounted to P17.78 million and P8.16 million in September 30, 2015 and 2014, respectively (see Note 12). Net carrying value of computer software and licenses and leasehold rights amounted to P342.12 million and P226.46 million as at September 30, 2015 and December 31, 2014, respectively (see Note 12).

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, trademarks and customer relationships with indefinite useful lives amounted to P18,731.00 million and P17,790.45 million as at September 30, 2015 and December 31, 2014, respectively (see Note 12).

Estimating Realizability of Deferred Tax Assets

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

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

The Group has recognized deferred tax assets amounting to P836.81 million and P745.65 million as at September 30, 2015 and December 31, 2014, respectively (see Note 24).

Impairment of Non-financial Assets

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

There were no impairment losses on property and equipment and other non-financial

assets recognized in September 30, 2015 and December 31, 2014.

Estimating Retirement Benefits Liability and Cost

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 benefits liability 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.

Retirement benefits liability amounted to P394.34 million as at September 30, 2015 and December 31, 2014 (see Note 23).

Estimating Provisions and Contingencies

The Group, in the ordinary course of business, sets up appropriate provisions 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 September 30, 2015 and December 31, 2014, the Group does not have any contingent legal or constructive obligation that requires provision.

3. Summary of Significant Accounting Policies

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

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

The Group has adopted the following relevant and applicable amendments starting January 1, 2014 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments did not have any significant impact on the Group's consolidated financial statements.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)*. These amendments clarify that:
 - an entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and
 - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
 - gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. The new standards and amendments which are relevant and applicable to the Group are listed below. However, the Group has not applied these new or amended standards in preparing these consolidated financial statements. Unless

otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective July 1, 2014

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs which are relevant and applicable to the Group, none of which has a significant effect on the consolidated financial statements of the Group:
 - *Scope exclusion for the formation of joint arrangements (Amendment to PFRS 3)*. PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in *PFRS 11 Joint Arrangements* - i.e. including joint operations - in the financial statements of the joint arrangements themselves.
 - *Measurement of short-term receivables and payables (Amendment to PFRS 13)*. The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
 - *Definition of 'related party' (Amendment to PAS 24)*. The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

Effective January 1, 2018

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

the accounting more closely with risk management.

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

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

Basis of Consolidation

Business Combinations

Business combinations 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 acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has 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 Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continues to be consolidated until the date when such control ceases.

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

Loss of Control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary,

any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value on the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an AFS financial asset depending on the level of influence retained.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Transactions under Common Control

Transfers of assets between commonly controlled entities are accounted for using the book value accounting.

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 September 30, 2015 and December 31, 2014.

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 (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 and security deposits are included in this category (see Notes 4, 5, 6, 13, 22, 28 and 29).

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

The Group's investment in equity securities is classified as AFS financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on AFS financial assets monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

The Group's AFS equity instrument is carried at cost since its fair value cannot be determined reliably in the absence of observable market data on the related assets (see Note 10).

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 14, 15, 16, 22, 28 and 29).

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 rate 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

The fair value for financial instruments traded in active markets at the reporting date is

based on their quoted market price or dealer price quotations without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable price exist, options pricing models and other relevant valuation modes.

Merchandise Inventory

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

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

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.

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
Furniture and fixtures	3 – 20
Office and store equipment	2 – 15
Leasehold improvements	15 - 20 or term of the lease, whichever is shorter

The useful lives and depreciation and amortization method 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.

Investments in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the

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

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

Intangible Assets and Goodwill

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 assets 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.

Gain or loss on disposal or retirement of an intangible asset with finite useful life is recognized in profit or loss when the asset is disposed of or retired.

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.

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 to sell. 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.

Equity

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 amount of revenue can be reliably measured. Revenue is measured at fair value of consideration received or receivable, net of sales discounts. The following specific recognition criteria must also be met before revenue is recognized:

- *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. Accordingly, advances received prior to delivery of goods are recorded as unearned revenues and are earned upon physical delivery and acceptance by customer. Unearned revenues are classified as current liabilities.

- *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.
- *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.
- *Rent Income* from property and equipment is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income, over the term of the lease.
- *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 Merchandise Sold

Cost of merchandise sold 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.

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 profits 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 assets 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 profits will allow the deferred tax assets 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 the reporting date.

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

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

Value Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

Leases

Group as Lessee

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

Group as Lessor

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

Related Parties

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

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at 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

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and the President, collectively as the Group's chief operating decision maker. The Group assessed that its retailing business as a whole represents a single segment.

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:

	<i>Note</i>	September 2015	December 2014
Cash on hand		P453,976,498	P1,276,463,479
Cash in banks	28, 29	1,352,417,722	1,686,627,200
Money market placements	28, 29	155,674,909	3,795,335,231
	29	P1,962,069,129	P6,758,425,910

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 0.45% to 2.50% in 2015 and from 1.00% to 2.30% in 2014. Interest income earned from cash in banks and money market placements amounted to P16.22 million and P12.66 million in September 30, 2015 and 2014, 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 engages in investing activities in order to maximize earnings on available cash funds. These investments earn interest at the prevailing market rate of 1.85%. These investments matured on February 14, 2014.

6. Receivables

This account consists of:

	<i>Note</i>	September 2015	December 2014
Trade receivables:	<i>a, 22</i>	P842,476,263	P1,562,909,878
Non-trade receivables	<i>b, 22</i>	1,017,051,396	390,269,019
		1,859,527,659	1,953,178,897
Less allowance for impairment losses on trade receivables from third parties	<i>a</i>	7,462,327	7,462,327
	<i>28, 29</i>	P1,852,065,332	P1,945,716,570

- 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 P7.46 million as at September 30, 2015 and December 31, 2014, all other receivables are collectible and therefore, no additional allowance is necessary.
- b. Non-trade receivables represent the amounts due from tenants in relation to rentals of store spaces. This account also includes due from suppliers with respect to “demo” or “sampling” conducted by suppliers’ representatives and strategic locations granted to suppliers with regard to the display of their products in the selling area of the stores. It also includes advances to employees which are collected by the Group through salary deduction.

7. Merchandise Inventory

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

Inventory cost as at September 30, 2015 and December 31, 2014 is lower than NRV.

The Group’s merchandise inventory as at September 30, 2015 and December 31, 2014 amounted to P12,854.02 million and P11,166.77 million, respectively.

Inventory charged to the cost of sales amounted to P56,382.21 million and P49,547.52 million in September 30, 2015 and 2014, respectively (see Note 17).

8. Investments in Trading Securities

The investments in trading securities represent the Parent Company’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 the reporting dates.

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

Cost	Note	September 2015	December 2014
Balance at beginning of year		P14,518,906	P14,518,906
Additions during the year		837,092	-
Balance at end of year		15,355,998	14,518,906
Valuation Adjustments			
Balance at beginning of year		22,929,563	14,348,470
Unrealized valuation gain on financial assets at FVPL for the year	21	(3,913,185)	8,581,093
Balance at end of year		19,016,378	22,929,563
	29	P34,372,376	P37,448,469

9. Prepaid Expenses and Other Current Assets

This account consists of:

	September 2015	December 2014
Prepaid expenses	P514,493,704	P261,552,911
Input value added tax (VAT)	332,519,698	280,733,494
Creditable withholding tax	100,284,461	47,655
Deferred input VAT	30,614,372	30,547,582
	P977,912,235	P572,881,642

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.

The details of prepaid expenses are as follows:

	Note	September 2015	December 2014
Rent	18	P347,330,637	P163,695,929
Taxes and licenses		120,548,696	62,483,007
Insurance		41,562,829	33,465,009
Repairs and maintenance		1,537,029	774,111
Others		3,514,513	1,134,855
		P514,493,704	P261,552,911

Prepaid taxes and licenses pertain to payments made to government for registration fees and other business permits and taxes.

Prepaid insurance refers to payments made in advance in return for insurance services covering the Group's merchandise inventory, property and equipment and others.

Deferred input VAT represents accumulated input taxes for purchases of capital assets more than P1.00 million and unbilled services for the building and leasehold construction which can be applied against future output VAT.

10. Investments

Investments

The details of investments are as follows:

	<i>Note</i>	September 2015	December 2014
Investments in joint ventures	<i>b</i>	P442,726,149	P392,726,149
Investments in associate	<i>c</i>	410,947,459	390,896,877
AFS financial assets	<i>a</i>	7,879,160	7,879,160
		P861,552,768	P791,502,186

a. AFS Financial Assets

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

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

b. Investments in Joint Ventures

On June 12, 2014, the Parent Company 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 Parent Company subscribed a total of 3,500,000 common shares at P100.00 par value for a total investment of P350.00 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 P150.00 million or 30% interest in the joint venture.

PLCI was incorporated in the Philippines on June 2, 2014. It had not started commercial operations in 2014.

On July 8, 2013, the Group through Entenso 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 started operation on July 31, 2015 with the opening of its first supermarket "Merkado" located at U.P. Town Center.

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 P60.00 million representing 50% interest each to the joint venture.

The redeemable preferred shares shall have the following features:

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

Under the equity method, the Group's investment in AyaGold is reduced by P17.27 million due to the share in the net losses of AyaGold which was recognized under "Other Income (Expenses)" account in the consolidated statements of comprehensive income for the year ended December 31, 2014.

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

	September 2015	December 2014
Carrying amount	P42,726,149	P60,000,000
Additional investment	50,000,000	-
Share in net loss	-	(17,273,851)
	P92,726,149	P42,726,149

c. Investments in associate

On December 4, 2013, the Group through Entenso acquired equity interest in San Roque Supermarkets (SRS) for a total cost of P371.90 million. 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 Entenso 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 P19.00 million.

Under the equity method, the Group's investment in SRS increased by P20.05 million due to the share in the net income of SRS which was recognized under "Other Income (Expenses)" account in the consolidated statements of comprehensive income for the period ended September 30, 2015.

The carrying amount of its investment and its share in the net income of SRS follow:

	September 2015	December 2014
Carrying amount	P390,896,877	P390,896,877
Share in net income	20,050,582	-
	P410,947,459	P390,896,877

Acquisitions of Subsidiaries

The following are the developments relating to the Parent Company's investments in subsidiaries in 2015 and 2014:

Company E Corporation

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

On March 25, 2014, the BOD approved the merger of the Parent Company with Company E Corporation. 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 its salient features discussed in Note 1.

Kareila Management Corporation

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

On November 28, 2013, the BOD resolved to increase the Company's authorized capital stock from P500.00 million divided into 5 million shares, with par value of P100 per share to P3,000.00 million pesos divided into 30 million shares with a par value of P100 per share. Out of the increase in the authorized capital stock of P2,500.00 million, 25% of which or P625.00 million had been actually subscribed by the Parent company out of the stock dividend declared by the Company. On the same date, the Company amended its articles of incorporation. Subsequently, on December 13, 2013, SEC approved the Company's application of its increase in authorized capital stock.

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

December 31, 2014

Type of Dividend	Date of Dividend Declaration	Shareholders of Record as of	Amount
Cash	December 18, 2014	December 18, 2014	P475,000,000
Stock	December 18, 2014	December 18, 2014	1,000,000,000
			P1,475,000,000

December 31, 2013

Type of Dividend	Date of Dividend Declaration	Shareholders of Record as of	Amount
Cash	November 8, 2013	November 8, 2013	P475,000,000
Stock	November 8, 2013	November 8, 2013	625,000,000
			P1,100,000,000

Gant Group of Companies Incorporated (Gant)

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

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

Puregold Junior Supermarket, Inc. (PJSI)

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

PPCI Subic Inc.

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

11. Property and Equipment

The movements and balances of this account consist of:

Cost	Building		Furniture and Fixtures		Office and Store Equipment		Leasehold Improvements		Land		Construction In Progress		Total
Balance, December 31, 2013	P4,231,472,913	P1,623,975,137	P4,432,771,663	P4,708,292,733	P386,605,815	P370,079,836	P15,753,198,097						
Additions	57,807,129	219,006,347	477,764,554	403,806,560	-	641,081,199	1,799,465,789						
Reclassifications	214,020,598	(2,162,566)	101,137,600	518,987,886	-	(831,983,518)	-						
Disposals	-	(4,081,772)	(11,713,281)	-	-	-	-						
Write-off	(2,321,427)	(24,822)	(4,475,827)	-	-	-	(6,822,076)						
Balance, December 31, 2014	4,500,979,213	1,836,712,324	4,995,484,709	5,631,087,179	386,605,815	179,177,517	17,330,046,757						
Transfer-in	-	51,159,695	145,562,057	92,796,503	-	-	289,518,255						
Additions	174,025,758	141,527,418	533,703,117	483,966,803	17,134,337	506,626,260	1,856,983,693						
Reclassifications	88,664,925	(313,828)	310,064	(149,201,279)	-	60,540,118	-						
Disposals	(196,428)	(2,727,585)	(14,306,597)	(2,935,742)	-	-	(20,166,352)						
Adjustment	-	-	-	(143,750,000)	-	-	(143,750,000)						
Balance, September 30, 2015	4,763,473,468	2,026,358,024	5,660,753,350	5,911,963,464	403,740,152	746,343,895	19,512,632,353						
Accumulated Depreciation and Amortization													
Balance, December 31, 2013	P407,916,067	P464,193,510	P1,855,298,846	P512,563,078	P-	P-	P3,239,971,501						
Depreciation and amortization	149,805,329	138,154,710	640,344,222	244,613,343	-	-	1,172,917,604						
Reclassifications	207,103	(628,085)	(131,360)	552,342	-	-	-						
Disposals	-	(1,736,070)	(8,100,052)	-	-	-	(9,836,122)						
Write-off	(45,140)	(12,360)	(4,461,776)	-	-	-	(4,519,176)						
Balance, December 31, 2014	557,883,359	599,971,805	2,482,949,880	757,728,763	-	-	4,398,533,807						
Transfer-in	815,530	37,401,314	121,453,272	36,371,352	-	-	1,96,041,468						
Depreciation and amortization	116,197,067	110,624,938	504,929,521	193,550,275	-	-	925,301,801						
Reclassifications	-	(43,006)	17,160	25,846	-	-	-						
Disposals	(147,321)	(412,322)	(2,361,869)	(251,912)	-	-	(3,173,424)						
Adjustment	-	-	-	-	-	-	-						
Balance, September 30, 2015	674,748,635	747,542,729	3,106,987,964	987,424,324	-	-	5,516,703,652						
Carrying Amount													
December 31, 2014	P3,943,095,854	P1,226,740,519	P2,512,534,829	P4,873,358,416	P386,605,815	P179,177,517	P13,131,512,950						
September 30, 2015	P4,088,724,833	P1,278,815,295	P2,553,765,386	P4,924,539,140	P403,740,152	P746,343,895	P13,995,928,701						

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.

Write-off of fixed assets pertains to damaged fixed assets resulting from a fire in Parafaque store.

No impairment loss was recognized in 2015 and 2014.

12. Intangibles and Goodwill

This account consists of:

	<i>Note</i>	September 2015	December 2014
Goodwill	<i>a</i>	P14,131,883,243	P13,191,340,917
Trademark	<i>B</i>	3,709,660,547	3,709,660,547
Customer relationship	<i>b</i>	889,452,981	889,452,981
Computer software and licenses - net	<i>c</i>	174,992,862	156,511,790
Leasehold rights	<i>c</i>	167,126,734	69,952,547
		P19,073,116,367	P18,016,918,782

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 acquisition of the following Subsidiaries.

2012	<i>Note</i>	Cost
PJSI	<i>a.1</i>	P11,370,121
Kareila	<i>a.2</i>	12,079,473,835
Gant	<i>a.3</i>	742,340,804
		12,833,184,760
2013		
Merger of PJSI and Gant to Parent Company	<i>a.1, a.4</i>	4,142
Company E	<i>a.5</i>	358,152,015
		358,156,157
2015		
DCI and FLSTCI	<i>a.6</i>	502,987,501
Goldtempo	<i>a.7</i>	437,554,825
		940,542,326
		P14,131,883,243

Details are as follows:

a.1. Acquisition of PJSI

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

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

a.2. Acquisition of Kareila

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

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

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

The purchase price of P4,599.11 million 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 (see Note 12.b).

The Group incurred acquisition-related cost of P3.83 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2012.

a.3. Acquisition of Gant

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

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

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the fair value of the acquired assets and liabilities assumed is attributable to goodwill amounting to P742.34 million.

The Group incurred acquisition-related cost of P0.19 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2012.

a.4. Merger of PJSI and Gant

As mentioned in Note 10, on February 26, 2013, the SEC approved the application for merger of the Parent Company, PJSI and Gant. As a consideration for the said merger, the Parent Company paid the owner of PJSI amounting to P4,142.

a.5. Acquisition of Company E

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

Acquisition cost	P404,065,000
Fair value of net assets	45,912,985
Goodwill	P358,152,015

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P358.15 million.

The Group incurred acquisition-related cost of P0.19 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2013.

a.6. Acquisition of Daily Commodities Inc. (DCI) and First Lane Super Traders Co., Inc. (FLST)

On February 3, 2015, the Group through Entenso acquired 100.00% interest in DCI and FLST 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 FLST at the acquisition date:

Acquisition cost	P768,485,000
Fair value of net assets	267,668,059
Goodwill	P500,816,941

The Group used provisional fair values of the identifiable net assets in calculating the goodwill of DCI and FLST as at the acquisition date. Upon finalization of the purchase price allocation exercise in 2015, the Group will restate the amounts of the net assets acquired and goodwill, in accordance with PFRS 3.

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P500.82 million.

a.7. Acquisition of Bargain City Inc. (BCI), Multi-Merchantrade Inc. (MMI) and Superplus Corporation (SC)

On August 6, 2015, the Group through Goldtempo Corporation, 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. As a result of the transaction, the excess of the consideration paid over the fair value of assets acquired was recognized as goodwill amounting to P437.55 million.

The Group used provisional fair values of the identifiable net assets in calculating the goodwill of BCI, MMI and SC as at the acquisition date. Upon finalization of the purchase price allocation exercise in 2015, the Group will restate the amounts of the net assets acquired and goodwill, in accordance with PFRS 3.

b. Trademark and Customer Relationship

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

Impairment of goodwill, trademark and customer relationship

The recoverable amount of goodwill, trademark and customer relationship has been determined based on value in use (VIU), using cash flow projections covering a five-year period. It is based on a long range plans approved by management. The VIU is based on a 2% terminal growth rate and discount rate of 10%. The terminal growth rate used is consistent with the long-term average growth rate for the Group's industry. The discount rate is based on the weighted average cost of capital (WACC) by taking into consideration the debt equity capital structure and cost of debt of

comparable companies and cost of equity based on appropriate market risk premium. The financial projection used in the VIU is highly dependent on the gross sales and gross profit margin. For purposes of growth rate sensitivity, a growth rate scenario of 2% and 3% is applied on the discounted cash flow analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill, trademark and customer relationship to exceed its recoverable amount.

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at September 30, 2015 and December 31, 2014.

c. *Leasehold Rights and Computer Software and Licenses*

On January 25, 2013, the Parent Company 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 Parent Company 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 Parent Company 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 consist of:

	Computer Software	Leasehold Rights	Total
Cost			
Balance, January 1, 2014	P204,283,187	P75,355,005	P279,638,192
Additions	28,558,800	-	28,558,800
Balance, December 31, 2014	232,841,987	75,355,005	308,196,992
Additions	85,299,929	100,000,000	185,299,929
Adjustment	(51,867,660)	-	(51,867,660)
Balance, September 30, 2015	266,274,256	175,355,005	441,629,261
Accumulated Amortization			
Balance, January 1, 2014	P67,570,110	P1,634,708	P69,204,818
Amortization	8,760,087	3,767,750	12,527,837
Balance, December 31, 2014	76,330,197	5,402,458	81,732,655
Amortization	14,951,197	2,825,813	17,777,010
Balance, September 30, 2015	91,281,394	8,228,271	99,509,665
Carrying Amount			
December 31, 2014	P156,511,790	P69,952,547	P226,464,337
September 30, 2015	P174,992,862	P167,126,734	P342,119,596

13. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	September 2015	December 2014
Security deposits	18, 28, 29	P1,251,533,326	P1,112,085,830
Prepaid rent	18	102,268,070	107,119,274
Accrued rent income	18, 24	30,605,381	26,011,430
		P1,384,406,777	P1,245,216,534

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

14. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	September 2015	December 2014
Trade	22, 28, 29	P3,210,507,075	P7,494,845,630
Non-trade	22, 28, 29	1,767,885,842	1,140,273,247
Dividends payable	25, 28, 29	-	829,921,923
Withholding taxes payable		113,744,686	120,624,270
Accrued expenses:	28, 29		
Manpower agency services		601,620,196	624,401,819
Utilities		90,263,766	100,498,395
Retention		80,000,000	-
Professional fees		51,099,263	53,500,738
Rent		10,416,496	42,865,245
Fixed asset acquisition	11	13,184,322	3,265,087
Interest		3,805,539	4,625,453
Others		80,256,804	49,709,968
		P6,022,783,989	P10,464,531,775

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 28).

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.

Fixed asset acquisition pertains to amounts payable to Parent Company's contractor of store establishments. The Group is bound by the terms of the contract and payables are due upon completion of certain work to be done.

15. Loans Payable

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:

	<i>Note</i>	September 2015	December 2014
Short-term note based on 2.375%	<i>i</i>	1,867,500,000	855,000,000
Short-term note based on 2.500%	<i>i</i>	490,000,000	-
Short-term note based on 2.375%	<i>ii</i>	-	508,500,000
		P2,357,500,000	P1,363,500,000

i. The Parent Company issued and executed the following notes:

Execution Date	Maturity Date	Interest Rate	Principal
August 17, 2015	November 16, 2015	2.375	P300,000,000
October 17, 2015	January 16, 2015	2.375	250,000,000
August 10, 2015	November 9, 2015	2.375	230,000,000
August 3, 2015	November 2, 2015	2.375	587,500,000
August 7, 2015	November 5, 2015	2.375	500,000,000
August 7, 2015	November 5, 2015	2.500	490,000,000
			P2,357,500,000

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 Parent Company. The proceeds of these loans will be used for lot acquisition.

ii. On June 25, 2013, Kareila entered into an unsecured short-term loan amounting to P508.50 million with a local bank and renewable after maturity. As of September 30, 2015, the balance of the loan amount was fully settled.

b. Long-term Loans Payable

b.1. The outstanding loans are as follows:

	<i>Note</i>	September 2015	December 2014
Unsecured Peso Denominated			
Fixed rate note based on 3.5%	<i>i</i>	P1,994,562,604	P1,993,114,552
Fixed rate note based on 3.25%	<i>ii</i>	630,000,000	962,920,038
Fixed rate note based on 3.5%	<i>iii</i>	400,000,000	500,000,000
	<i>28, 29</i>	3,024,562,604	3,456,034,590
Less current portion		630,000,000	962,920,038
		P2,394,562,604	P2,493,114,552

- i. On June 13, 2013, the Parent Company issued a P2 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 at September 30, 2015, a total of P333.70 million of the loan amount was already paid. The balance was renewed at 2.375% interest rate per annum and payable on October 12, 2015.

The movements in debt issue costs are as follows:

	September 2015	December 2014
Balance at beginning of the year	P7,665,410	P11,985,067
Amortizations	(2,228,014)	(4,319,657)
Balance at end of year	P5,437,396	P7,665,410

- 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 September 30, 2015, P100.00 million of the loan amount was already paid.

Interest expense from these loans amounting to P71.31 million and P99.51 million were capitalized in September 2015 and December 2014 and recognized in building and leasehold improvements under property and equipment accounts (see Note 11). Remaining interest expense that was charged to profit and loss amounted to P49.83 million and P47.26 million in September 2015 and December 2014, respectively.

Repayment Schedule

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

Year	September 2015	December 2014
2015	P630,000,000	P963,700,000
2018	2,400,000,000	2,500,000,000
	P3,030,000,000	P3,463,700,000

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

16. Other Current Liabilities

This account consists of:

	<i>Note</i>	September 2015	December 2014
Deposits	18, 28, 29	P136,611,910	P142,421,155
Unredeemed gift certificates		50,519,580	66,275,200
Promotion fund		44,793,563	76,806,772
Loyalty and rewards		7,694,010	68,810,370
Output VAT		4,129,305	-
Others	28, 29	3,112,648	3,147,205
		P246,861,016	P357,460,702

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

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

Loyalty and rewards are 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.

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

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

17. Cost of Sales

This account for the periods ended September 30 consists of:

	<i>Note</i>	2015	2014
Beginning inventory	7	P11,166,772,652	P9,441,528,622
Add: Purchases		58,069,456,240	50,573,752,705
Total goods available for sale		69,236,228,892	60,015,281,327
Less ending inventory	7	12,854,017,734	10,467,760,177
		P56,382,211,158	P49,547,521,150

18. Lease Agreements

As Lessee

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

The Group is required to pay advance rental payments and security deposits on the above leases which are either fixed monthly rent or are calculated in reference to a fixed sum per square meter of area leased. These are shown under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (see Notes 9 and 13).

Rent expense included under "Operating expenses" in the consolidated statements of comprehensive income amounted to P1,685.34 million and P1,548.10 million for the periods ended September 30, 2015 and 2014, respectively (see Note 20).

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

	September 2015	December 2014
Due within one year	P1,797,396,096	P1,722,593,756
Due more than one year but not more than five years	7,722,908,425	7,233,318,698
Due more than five years	29,649,525,526	31,255,977,987
	P39,169,830,047	P40,211,890,441

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 16).

Rent income recognized in profit or loss for the periods ended September 30, 2015 and 2014 amounted P281.08 million and P263.30 million, respectively (see Note 19).

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

	September 2015	December 2014
Due within one year	P209,136,298	P245,144,093
Due more than one year but not more than five years	307,814,290	423,962,002
Due more than five years	166,659,313	414,448,300
	P683,609,901	P1,083,554,395

19. Other Operating Income

This account for the periods ended September 30 consists of:

	<i>Note</i>	2015	2014
Concession income		P995,034,785	P946,908,445
Display allowance		380,984,352	328,378,768
Service income		347,029,173	206,281,034
Rent income	18	281,078,448	263,300,614
Membership income		257,642,045	176,247,401
Listing fee		20,597,593	23,940,599
Miscellaneous		69,765,190	65,050,938
		P2,352,131,586	P2,010,107,799

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.

Service income pertains to income generated from promotional activities.

Membership income pertains to fees paid by members of Puregold and S&R wherein such fees permit only membership, and all other services or products are paid for separately.

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

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

20. Operating Expenses

This account for the periods ended September 30 consists of:

	<i>Note</i>	2015	2014
Rent	18	P1,685,337,846	P1,548,104,742
Manpower agency services		1,285,389,221	1,183,629,847
Communication, light and water		1,204,099,450	1,179,957,441
Salaries and wages		1,001,983,259	828,969,556
Depreciation and amortization	11, 12	943,081,579	882,386,943
Security services		513,364,204	472,942,747
Taxes and licenses		330,238,021	291,499,618
Concession expense	22	324,628,323	333,693,551
Store and office supplies		304,739,409	263,945,452
Janitorial and messengerial services		241,269,693	221,481,548
Repairs and maintenance		227,824,245	172,652,268
Employee benefits		105,988,419	77,069,444
Insurance		98,205,006	90,519,814
Advertising and marketing		89,935,074	60,548,332
SSS/Medicare and HDMF contributions		73,330,808	62,132,278
Representation and entertainment		48,776,920	33,361,246
Input VAT allocable to exempt sales		53,661,385	49,277,082
Transportation		36,692,765	25,397,219
Fuel and oil		30,424,844	44,550,653
Royalty	22	26,230,195	23,639,735
Professional fee		15,929,116	24,499,546
Miscellaneous		85,418,571	96,506,896
		P8,726,548,353	P7,966,765,958

21. Others

This account for the period ended September 30 consists of:

	<i>Note</i>	2015	2014
Equity in net earnings of associate		P20,050,582	P-
Bank charges		(12,448,552)	(6,654,788)
Unrealized valuation gain (loss) on trading securities	8	(3,913,185)	6,948,902
Dividend income		892,591	818,351
Gain from insurance claim		-	7,039,364
Gain/(loss) on sale of fix assets		(423,262)	220,000
Foreign exchange loss		(44,613)	(794,426)
		P4,113,561	P7,577,403

22. Related Party Transactions

In the normal course of business, the Group has transactions with its related parties. These transactions for the nine-month period ended September 30 and account balances as at September 30, 2015 and December 31, 2014 follow:

Related Party	Year	Note	Amount of Transactions for the Nine-month Period		Outstanding Balances													
			P	-	Trade Receivable (see Note 6)	Non Trade Receivable (see Note 6)	Trade Payable (see Note 14)	Non Trade Payable (see Note 14)	Due to Related Parties	Terms	Conditions							
Parent	2015		P	-	P	-	P	-	P	-	P	-						
Dividends	2014			423,260,180	-	-	-	-	423,260,180	-	-	-	-	Due and demandable	Unsecured			
Other Related Parties*	2015			418,616,550	-	-	-	-	33,305,161	-	-	-	-	Due and demandable	Unsecured			
Rent expense	2014	A		381,635,423	-	-	-	-	11,420,981	-	-	-	-	Due and demandable	Unsecured			
Concession expense	2015			324,628,323	-	-	-	-	-	-	-	-	-	Due and demandable	Unsecured			
Purchase of merchandise	2014	B		333,693,551	-	-	-	-	42,428,386	-	-	-	-	Due and demandable	Unsecured			
	2015			485,879,751	-	-	-	-	124,067,376	-	-	-	-	Due and demandable	Unsecured			
Sale of merchandise	2014	C		264,002,312	-	-	-	-	382,525,442	-	-	-	-	Due and demandable	Unsecured;			
	2015			53,416,953	-	-	-	-	-	-	-	-	-	Due and demandable	no impairment			
Security deposit	2014			-	11,741,812	-	-	-	-	-	-	-	-	Due and demandable	Unsecured;			
	2015			7,935,810	-	-	-	-	-	-	-	-	-	Due and demandable	no impairment			
Other income	2014			-	-	-	-	-	-	-	-	-	-	Due and demandable	Unsecured;			
	2015			-	-	-	-	-	-	-	-	-	-	Due and demandable	no impairment			
Repairs and maintenance	2014	C		-	-	-	208,847	-	-	-	-	-	-	Due and demandable	Unsecured;			
	2015			1,493,312	-	-	-	-	-	-	-	-	-	Due and demandable	no impairment			
	2014	C		746,327	-	-	-	-	-	-	-	-	-	Due and demandable	Unsecured			

Forward

Outstanding Balances

Related Party	Year	Note	Amount of Transactions for the Nine-month Period	Trade Receivable		Trade Payable		Due to Related Parties		Terms	Conditions
				(see Note 6)	(see Note 6)	(see Note 14)	(see Note 14)	Parties			
Utilities expense	2015		P139,140,333	P -	P -	P -	P20,783,694	P -		Due and demandable	Unsecured
	2014	C	167,308,203	-	-	-	27,760,108	-		Due and demandable	Unsecured
Communications	2015		206,767	-	-	-	5,641	-		Due and demandable	Unsecured
	2014		409,142	-	-	-	-	-		Due and demandable	Unsecured
Management fee	2015		12,135,986	-	-	-	773,143	-		Due and Demandable	Unsecured
	2014	C	16,783,413	-	-	-	1,297,890	-		Due and demandable	Unsecured
Supplies	2015		3,453,792	-	-	-	1,192,242	-		Due and demandable	Unsecured
	2014		-	-	-	-	-	-		-	-
Key Management Personnel											
Royalty expense	2015		26,230,195	-	-	-	-	-		Due and demandable	Unsecured
	2014	D	23,639,735	-	-	-	-	-		Due and demandable	Unsecured
Rent expense	2015		16,566,140	-	-	-	-	-		Due and demandable	Unsecured
	2014		17,779,571	-	-	-	-	-		Due and demandable	Unsecured
Short-term benefits	2015		55,578,354	-	-	-	-	-		Due and demandable	Unsecured
	2014		2,941,784	-	-	-	-	-		Due and demandable	Unsecured
Total	2015		P11,741,812	P -	P -	P124,067,376	P57,146,379	P26,230,557			
Total	2014		P11,650,098	P208,847	P424,953,828	P521,534,663	P26,654,003				

*Other related parties pertain to entities under common control.

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

a. Lease of Building

The Group leases from its related parties the building 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.

b. 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 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 five percent (5%) of the consignee's gross sales which was increased to fifteen percent (15%) on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of ten percent (10%) 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.

c. Other Significant Transactions

These pertain to purchases and sale of merchandise, rent income, security deposits paid, repairs and maintenance, utilities, communications, management fee and employee benefits which are unsecured, noninterest-bearing and due and demandable. The Group has not made any allowance for impairment losses relating to receivables from related parties as at September 30, 2015 and December 31, 2014. This assessment is undertaken annually by management through examination of the financial position of related parties and the market in which they operate.

d. 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.

23. Retirement Benefits Costs

The Parent Company 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, 2014. Valuations are obtained on a periodic basis.

Salient Provisions of the Retirement Plan

Normal Retirement (Minimum Retirement Law, RA 7641)

The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to at least one-half month (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The term one-half (1/2) month salary shall mean: (a) 50% of the pay salary; (b) one-twelfth (1/12) of the thirteenth (13th) month pay; and (c) one-twelfth (1/12) cash equivalent of not more than five (5) days of service incentive leaves.

The reconciliation of the liability recognized in the statements of financial position is as follows:

	September 2015	December 2014
Present value of defined benefit obligation	P419,338,336	P419,338,336
Fair value of plan assets	(25,000,000)	(25,000,000)
Retirement benefits liability	P394,338,336	P394,338,336

The following table shows reconciliation from the opening balances to the closing balances of defined benefit obligation recognized under “Retirement benefits liability” and its components.

	September 2015	December 2014
Balance at beginning of period	P419,338,336	P286,666,279
Included in profit or loss		
Current service cost	-	61,217,054
Interest cost	-	15,110,013
	-	76,327,067
Included in other comprehensive income		
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	-	67,115,683
Experience adjustment	-	(10,770,693)
	-	56,344,990
Balance at end of period	P419,338,336	P419,338,336

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

	September 2015	December 2014
Cumulative actuarial loss at beginning of year	P59,945,690	P3,600,700
Actuarial loss due to increase in defined benefit obligation	-	56,344,990
Cumulative actuarial loss at end of year	P59,945,690	P59,945,690

The cumulative actuarial loss, net of deferred income taxes, amounted to P41.96 million as at September 30, 2015 and December 31, 2014, as presented in the consolidated statements of changes in equity.

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

	September 2015	December 2014
Discount rate	4.49%	4.49%
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 26.3 years.

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:

	2015				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P419,338,336	P65,573,311	P11,938,049	P13,062,633	P40,572,629

On February 17, 2014, the Parent Company entered into a multi-employer retirement plan agreement with a trust company. The Parent Company made an initial cash contribution of P25.00 million pesos. The plan assets were not considered in the actuarial valuation of the Company as at December 31, 2014. However, the Company assess that the impact of plan assets on its financial statements as a whole is immaterial.

The Group does not expect to contribute to the plan in 2015.

24. Income Taxes

The components of income tax expense for the periods ended September 30 are as follows:

	2015	2014
Current tax expense	P1,434,396,405	P1,367,084,416
Deferred tax benefit	(89,106,208)	(92,323,266)
	P1,345,290,197	P1,274,761,150

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 September 30 is as follows:

	2015	2014
Income before income tax	P4,548,069,225	P4,281,422,869
Income tax expense at the statutory income tax rate:		
30%	1,351,653,634	1,272,312,016
5%	2,623,188	2,019,141
Income tax effects of:		
Non-deductible other expenses	108,030	5,892,914
Non-deductible interest expense	699,541	657,263
Dividend income subjected to final tax	(267,777)	(245,505)
Non-taxable income-net subjected to final tax	(4,714,241)	(2,084,671)
Interest income subjected to final tax	(4,812,178)	(3,790,008)
	P1,345,290,197	P1,274,761,150

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:

	September 2015		December 2014	
	Amount	DTA (DTL)	Amount	DTA (DTL)
Accrued rent expense*	P2,362,187,767	P708,656,330	P2,058,313,547	P617,494,064
Retirement benefits liability	419,338,336	125,801,501	419,338,336	125,801,501
Allowance for impairment losses on receivables	7,462,327	2,238,698	7,462,327	2,238,698
Recognition of DTA	389,730	116,919	389,730	116,919
DTA	2,789,378,160	836,813,448	2,485,503,940	745,651,182
Fair value of intangible assets from business combination	(4,599,113,528)	(1,379,734,058)	(4,599,113,528)	(1,379,734,058)
Accrued rent income	(30,605,381)	(9,181,614)	(26,011,430)	(7,803,429)
DTL	(4,629,718,909)	(1,388,915,672)	(4,625,124,958)	(1,387,537,487)
Net	(P1,840,340,749)	(P552,102,224)	(P2,139,621,018)	(P641,886,305)

*Excluding accrued rent expense of PPCI Subic which is subject to SBMA tax rules

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 asset includes P50.23 million net deferred tax assets transferred by PJSI and Gant to the Parent Company as a result of the merger. It includes the following:

	PJSI		Gant		Total	
	Amount	DTA (DTL)	Amount	DTA	Amount	DTA (DTL)
Accrued rent expense	P123,307,317	P36,992,195	P47,638,160	P14,291,448	P170,945,477	P51,283,643
DTA	123,307,317	36,992,195	47,638,160	14,291,448	170,945,477	51,283,643
Accrued rent income	(3,518,923)	(1,055,677)	-	-	(3,518,923)	(1,055,677)
Net	P119,788,394	P35,936,518	P47,638,160	P14,291,448	P167,426,554	P50,227,966

The Group has unrecognized net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) amounting to P16.98 million and P7.06 million, respectively. This was transferred through the merger of Gant with the Parent Company. Additional NOLCO was also recognized relating to Entenso in 2013.

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	20,336,773	-	20,336,773	2015
2013	7,231,087	-	7,231,087	2016
2014	3,776,469	-	3,776,469	2017
	P31,344,329	P-	P31,344,329	

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	2,290,639	-	2,290,639	2015
2013	1,051	-	1,051	2016
	P2,291,690	P-	P2,291,690	

25. Equity

Capital Stock and Additional Paid-in Capital

On June 7, 2011, the BOD approved the issuance of 50,000,000 shares. These were subscribed and paid in full on June 10, 2011.

The initial public offering of the Parent Company's shares with an offer price of P12.50 per share resulted to the issuance of 500,000,000 common shares in 2011. The additional paid-in capital net of direct transaction costs amounted to P5,168.82 million.

The Parent Company acquired 100% equity interest of Kareila in exchange for the 766,406,250 common shares of the Parent Company's authorized but unissued capital stock on May 28, 2012. The fair value of shares as at the acquisition date is P21.50 per share. The additional paid-in capital net of direct transaction costs amounted to P15,661.57 million.

On February 26, 2013, the SEC approved the application for merger of the Parent Company, PJSI and Gant. As a consideration for the said merger, the Parent Company paid the owner of PJSI and Gant shares of stocks equivalent to 16,911,162 shares at P26.55 per share. Considering that the owner of PJSI and Gant is the Parent Company, 16,911,006 of the total shares issued were classified in the Parent Company's book as treasury shares.

The Parent Company's authorized, issued and outstanding common stocks are as follow:

	September 2015	December 2014
Authorized - 3,000,000,000 shares (P1 par value)		
Issued and outstanding		
Balance at beginning of year	2,766,306,406	2,766,406,406
Stock issuances during the period	2,045,465	-
Balance at end of year	2,768,351,871	2,766,406,406
Treasury shares	(2,470,465)	(100,000)
	2,765,881,406	2,766,306,406

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30.0 million shares within one year from the approval or until November 4, 2015. As at September 30, 2014, the Parent Company already bought P20.70 million worth of shares and was classified in the Parent Company's book as treasury shares.

Retained Earnings

On May 8, 2012, the BOD declared a special cash dividend of P0.20 per share or P400 million to stockholders of record as at May 22, 2012, paid on June 5, 2012.

In a meeting held on December 27, 2012, the Parent Company's BOD approved the declaration of cash dividend amounting to P553.28 million equivalent to P0.20 per share, divided into P0.10 regular dividend and P0.10 special dividend to stockholders of record as at January 14, 2012. The related cash dividends were paid on February 7, 2013.

On December 16, 2013, the Parent Company's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.10 per share on record date of January 6, 2014 and payment date of January 30, 2014. The total amount of dividend is P829.92 million.

On December 18, 2014, the Parent Company's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.10 per share on record date of January 12, 2015 and payment date of February 5, 2015. The total amount of dividends is P829.92 million.

The summary of dividends declared is as follows:

December 31, 2014

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	December 18, 2014	January 12, 2015	February 5, 2015	P829,921,923

December 31, 2013

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	December 16, 2013	January 6, 2014	January 30, 2014	P829,921,924

Due to the effect of merger, retained earnings of PJSI and Gant amounting to P445.29 million formed part of the retained earnings of the Parent Company. PJSI and Gant were 100% wholly-owned by the Parent Company before merger.

26. Segment Information

The Group operates through stores in several locations. The combined financial statements of all per stores is reviewed by the Chief Operating Decision Maker on a monthly basis and assesses the Group's profitability and financial position of the whole retail business. The nature of products, class of customers, and regulatory environment is the same for all the stores.

Accordingly, management has assessed that the Group, as a whole, is considered as a single business and hence there are no operating segments required to be disclosed under PFRS 8, *Operating Segments*.

27. Basic/Diluted EPS

Basic/Diluted EPS for the periods ended September 30 is computed as follow:

	2015	2014
Net income (a)	P3,202,779,028	P3,006,661,719
Weighted average number of ordinary shares (b)	2,766,779,894	2,766,406,406
Basic/diluted EPS (a/b)	P1.16	P1.09

As at September 30, 2015 and December 31, 2014, the Group has no dilutive debt or equity instruments.

28. 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
- Other Market Price 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 Group's principal financial instruments include cash and cash equivalents and investments in trading securities. These financial instruments are used to fund the Group's operations and capital expenditures.

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	September 2015	December 2014
Cash in banks and cash equivalents	4	P1,508,092,631	P5,481,962,431
Receivables – net	6	1,852,065,332	1,945,716,570
Security deposits*	13	1,251,533,326	1,112,085,830
		P4,611,691,289	P8,539,764,831

*Included under noncurrent assets.

The following is the aging analysis per class of financial assets:

September 2015	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	P1,508,092,631	P -	P -	P -	P -	P1,508,092,631
Receivables	406,848,389	985,884,197	456,236,060	3,096,686	7,462,327	1,859,527,659
Security deposits	1,251,533,326	-	-	-	-	1,251,533,326
	P3,166,474,346	P985,884,197	456,236,060	P3,096,686	P7,462,327	P4,619,153,616

December 2014	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	P5,481,962,431	P -	P -	P -	P -	P5,481,962,431
Receivables	1,293,734,372	92,679,082	32,398,118	526,904,998	7,462,327	1,953,178,897
Security deposits	1,112,085,830	-	-	-	-	1,112,085,830
	P7,887,782,633	P92,679,082	P32,398,118	P526,904,998	P7,462,327	P8,547,227,158

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

- Cash in bank and cash equivalents 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 quality of these financial assets is considered to be high grade.
- 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 September 30, 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*	P930,646,389	P930,646,389	P930,646,389	P -	P -
Short-term loans payable	2,357,500,000	2,357,500,000	2,362,059,444	-	-
Trust receipts payable	1,573,230	1,573,230	1,573,230	-	-
Due to related parties	26,230,557	26,230,557	26,230,557	-	-
Long-term debt including current portion	3,024,562,604	3,254,841,736	630,494,628	2,624,347,107	-
Other current liabilities**	147,418,568	147,418,568	147,418,568	-	-
Noncurrent accrued rent	2,382,252,856	2,382,252,856	105,081,325	200,611,985	2,076,559,546

*excluding statutory payables to the government

**excluding promotion fund, loyalty and rewards, gift cheques VAT payable and and other current liabilities of Kareila

As at December 31, 2014					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P10,343,907,505	P10,343,907,505	P10,343,907,505	P -	P -
Short-term loans payable	1,363,500,000	1,374,691,670	1,374,691,670	-	-
Due to related parties	26,654,003	26,654,003	26,654,003	-	-
Long-term debt including current portion	3,456,034,590	3,463,700,000	963,700,000	2,500,000,000	-
Other current liabilities**	145,568,360	145,568,360	145,568,360	-	-
Noncurrent accrued rent	2,068,506,537	2,068,506,537	76,598,218	216,580,847	1,775,327,472

*excluding statutory payables to the government

**excluding promotion fund, loyalty and rewards, gift cheques VAT payable and and other current liabilities of Kareila

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. The Group is not exposed to interest rate risk since its short and long-term loans with fixed rates are carried at amortized cost. The Group's policy is to obtain the most favorable interest available without increasing its foreign currency exchange exposure.

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

	September 2015	December 2014
Financial assets (cash deposits):		
Cash in banks	P1,352,417,722	P1,686,627,200
Money market placement	155,674,909	3,795,335,231
	P1,508,092,631	P5,481,962,431

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P2.11 million and P7.67 million, for the period ended September 30, 2015 and year ended December 31, 2014, respectively. A 2% decrease in interest rates would have had the equal but opposite effect, on the basis that all other variables remain constant.

Other Market Price Risk

The Group's market price risk arises from its investments in trading securities carried at fair value. The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

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, additional paid-in capital, remeasurements and retained earnings as shown in the statements of financial position.

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

29. Financial Instruments

The carrying amounts of Company's financial instruments approximate their fair values as at September 30, 2015 and December 31, 2014.

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

Cash and Cash Equivalents, Short-term Investments, Receivables and Security Deposits

The carrying amounts of cash and cash equivalents, short-term investments and receivables approximate 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 and derivative instruments linked to unquoted stock are carried at cost less impairment.

Accounts Payable and Accrued Expenses, Short-term Loans, Due to Related Parties, Other Current Liabilities and Noncurrent Accrued Rent

The carrying amounts of accounts payable and accrued expenses, due to related parties, and short-term loans approximate 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.

Long-term Loans including Current Maturities

The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Effective rates used in 2015 and 2014 range from 3.25% to 3.50% and 3.50% to 3.61%, respectively.

Fair Value Hierarchy

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

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

As at September 30, 2015 and December 31, 2014, the Group's investment in trading securities were measured based on Level 1 classification and available for sale financial assets were carried at cost since the fair value cannot be determined reliably in the absence of any market data.

As at September 30, 2015 and December 31, 2014, the Group 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 THIRD QUARTER FINANCIAL STATEMENTS OF PUREGOLD PRICE CLUB, INC. AND ITS SUBSIDIARIES for the year 2015 to be signed on its behalf by the undersigned thereunto duly authorized.

November 11, 2015, City of Manila.

PUREGOLD PRICE CLUB, INC.

By:


FERDINAND VINCENT P. CO
President


TEODORO A. POLINGA
Comptroller