

For
AUDITED FINANCIAL STATEMENTS

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COMPANY INFORMATION

www.puregold.com.ph

(02) 548-7110

April 1

December 31

CONTACT PERSON INFORMATION	
NAME	_____
PHONE	_____
EMAIL	_____
ADDRESS	_____
CITY	_____
STATE	_____
ZIP	_____

Teodoro A. Polinga

tedpolinga@puregold.com.ph

(02) 548-7110

11/11/2016

CONTACT PERSON's ADDRESS

900 Romualdez, Street, Paco, Manila

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

ANNEX B

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016 and 2015



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

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

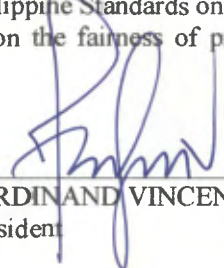
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

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

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


LUCIO L. CO
Chairman


FERDINAND VINCENT P. CO
President


TEODORO A. POLINGA
Comptroller

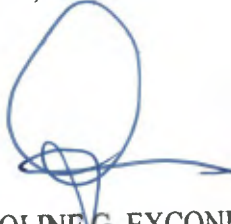
Signed this 16 day of APR 16 2018, 2018

SUBSCRIBED AND SWORN to before me this 16 day of April 2018, affiants exhibiting to me their respective Tax Identification Number, as follows:

Name
LUCIO L. CO
FERDINAND VINCENT P. CO
TEODORO A. POLINGA

TIN
108-975-971
208-381-185
104-883-077

Doc. No. 49
Page No. 11
Book No. IX
Series of 2018


CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
COMMISSION NO. 2018-035
UNTIL DECEMBER 31, 2019
PTR NO. 6952347 MANILA 12-06-17
IBP NO. 1062654/12-07-17
MCLE COMPLIANCE NO. V-0014291/02-16-2015
ROLL NO. 55392/05-02-08
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007



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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Puregold Price Club, Inc. and Subsidiaries
900 Romualdez Street
Paco, Manila

Opinion

We have audited the consolidated financial statements of Puregold Price Club, Inc. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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



Key Audit Matters

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

Revenue Recognition (P124.49 billion)

Refer to Note 3 to the consolidated financial statements.

The risk

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

Our response

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

- We evaluated and assessed the revenue recognition policies of the Group in accordance with Philippine Accounting Standard No. 18, *Revenue*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specialists to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- We tested, on a sampling basis, sales transactions for the last week of the financial year and the first week of the following financial year to supporting documentation such as sales summary generated reports from point-of-sale (POS) system to assess whether these transactions are recorded in the correct reporting period.
- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.

Valuation of Goodwill, Trademark and Customer Relationships (P19.50 billion)

Refer to Note 11 to the consolidated financial statements.

The risk

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



Our response

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

- We assessed management's determination of the recoverable amounts based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management.
- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, cost of inflation and discount rates.
- We also assessed the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected in the risks inherent to the valuation of goodwill, trademark and customer relationships.

Other Information

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

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

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

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

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

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



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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

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

R.G. MANABAT & CO.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-31-2016

Issued October 18, 2016; valid until October 17, 2019

PTR No. 6615157MD

Issued January 3, 2018 at Makati City

April 12, 2018

Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	P8,065,646,235	P6,415,883,385
Receivables - net	5, 21	4,569,341,716	3,880,855,791
Merchandise inventory	6	17,696,641,161	16,487,824,308
Investments in trading securities	7	46,887,876	35,109,026
Prepaid expenses and other current assets	8	1,179,663,000	981,917,114
Total Current Assets		31,558,179,988	27,801,589,624
Noncurrent Assets			
Investments	9	801,616,101	799,650,607
Property and equipment - net	10	17,696,372,319	15,711,622,356
Intangibles and goodwill	11	19,737,396,240	19,560,586,068
Other noncurrent assets	12, 17	1,670,528,568	1,509,265,101
Total Noncurrent Assets		39,905,913,228	37,581,124,132
		P71,464,093,216	P65,382,713,756
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	13, 21, 24	P11,612,957,865	P9,643,659,389
Short-term loans payable	14	4,112,500,000	5,017,500,000
Income tax payable		877,509,034	843,546,943
Due to related parties	21	37,065,831	33,776,623
Current maturities of long-term loans, net of debt issue costs	14	2,399,204,654	120,000,000
Other current liabilities	15	421,532,915	403,864,343
Total Current Liabilities		19,460,770,299	16,062,347,298
Noncurrent Liabilities			
Noncurrent accrued rent	17	3,260,616,193	2,909,884,084
Long-term loans - net of current maturities and debt issue costs	14	-	2,397,096,658
Deferred tax liabilities - net	23	242,677,396	371,119,850
Retirement benefits liability	22	538,173,177	469,257,995
Total Noncurrent Liabilities		4,041,466,766	6,147,358,587
Total Liabilities		23,502,237,065	22,209,705,885
Equity			
Capital stock	24	2,785,362,877	2,785,362,877
Additional paid-in capital	24	20,830,391,081	20,830,391,081
Remeasurements of retirement benefits liability - net of tax	22	117,313,327	62,524,278
Treasury stocks, at cost	24	(56,702,280)	(56,702,280)
Retained earnings	24	24,285,491,146	19,551,431,915
Total Equity		47,961,856,151	43,173,007,871
		P71,464,093,216	P65,382,713,756

See Notes to the Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2017	2016	2015
NET SALES				
Gross sales		P124,761,134,087	P112,818,373,088	P97,372,662,646
Sales discount		270,110,521	229,006,848	201,142,782
		124,491,023,566	112,589,366,240	97,171,519,864
COST OF SALES	6, 16	103,836,274,555	94,051,006,454	80,682,778,314
GROSS PROFIT		20,654,749,011	18,538,359,786	16,488,741,550
OTHER OPERATING INCOME	18	3,513,373,469	3,266,188,001	2,885,854,330
		24,168,122,480	21,804,547,787	19,374,595,880
OPERATING EXPENSES	19	15,515,628,653	13,707,403,016	12,225,076,570
INCOME FROM OPERATIONS		8,652,493,827	8,097,144,771	7,149,519,310
OTHER INCOME (EXPENSES)				
Interest income	4	21,658,740	12,686,675	18,502,923
Interest expense	14	(129,697,000)	(101,469,303)	(70,303,437)
Share in results of joint ventures and associate	9	(138,034,506)	(68,439,999)	(10,911,580)
Others - net	7, 20	(22,296,975)	(22,557,840)	17,732,911
		(268,369,741)	(179,780,467)	(44,979,183)
INCOME BEFORE INCOME TAX		8,384,124,086	7,917,364,304	7,104,540,127
INCOME TAX EXPENSE				
Current		2,695,668,770	2,550,889,317	2,266,251,752
Deferred		(151,756,477)	(159,755,419)	(163,583,211)
	23	2,543,912,293	2,391,133,898	2,102,668,541
NET INCOME		5,840,211,793	5,526,230,406	5,001,871,586
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit liability	22	78,103,072	90,219,876	59,015,910
Income tax relating to items that will not be reclassified subsequently		(23,314,023)	(27,044,752)	(17,704,773)
OTHER COMPREHENSIVE INCOME FOR THE YEAR - Net of tax		54,789,049	63,175,124	41,311,137
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P5,895,000,842	P5,589,405,530	P5,043,182,723
Basic and diluted earnings per share	26	P2.10	P2.00	P1.81

See Notes to the Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock	Paid-in Capital	Remeasurements of Retirement Liability	Retained Earnings	Years Ended December 31	
						Stocks - At Cost	Total Equity
Balance at January 1, 2015		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							
Net income for the year		-	-	-	5,001,871,586	-	5,001,871,586
Other comprehensive income - net of tax		-	-	41,311,137	-	-	41,311,137
Total comprehensive income		-	-	41,311,137	5,001,871,586	-	5,043,182,723
Transactions with owners of the Parent Company							
Issuance of ordinary shares/effect of merger with Company E	24	2,045,465	-	-	-	(2,045,465)	-
Treasury shares - at cost	24	-	-	-	-	(33,846,207)	(33,846,207)
Cash dividends	24	-	-	-	(829,614,422)	-	(829,614,422)
Total transactions with owners of the Parent Company		2,045,465	-	-	(829,614,422)	(35,891,672)	(863,460,629)
Balance at December 31, 2015		2,785,362,877	20,830,391,081	(650,846)	14,854,815,931	(56,702,280)	38,413,216,763
Total comprehensive income							
Net income for the year		-	-	-	5,526,230,406	-	5,526,230,406
Other comprehensive income - net of tax		-	-	63,175,124	-	-	63,175,124
Total comprehensive income		-	-	63,175,124	5,526,230,406	-	5,589,405,530
Transactions with owners of the Parent Company							
Cash dividends	24	-	-	-	(829,614,422)	-	(829,614,422)
Balance at December 31, 2016		2,785,362,877	20,830,391,081	62,524,278	19,551,431,915	(56,702,280)	43,173,007,871

Forward

	Note	Years Ended December 31				
		Capital Stock	Additional Paid-in Capital	Remeasurements of Retirement Liability	Retained Earnings	Treasury Stocks - At Cost
Total comprehensive income						Total Equity
Net income for the year		P -	P -	P -	P5,840,211,793	P -
Other comprehensive income - net of tax		-	-	54,789,049	-	-
Total comprehensive income		-	-	54,789,049	5,840,211,793	-
Transactions with owners of the Parent Company						
Cash dividends	24	-	-	-	(1,106,152,562)	-
Balance at December 31, 2017		P2,785,362,877	P20,830,391,081	P117,313,327	P24,285,491,146	(P56,702,280)
						P47,961,856,151

See Notes to the Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P8,384,124,086	P7,917,364,304	P7,104,540,127
Adjustments for:				
Depreciation and amortization	10, 11, 19	1,639,123,164	1,408,708,815	1,279,462,358
Rent expense in excess of billings		350,732,109	416,995,174	424,382,373
Retirement benefits cost	19, 22	147,018,254	119,606,198	104,549,247
Share in results of joint ventures and associate	9	138,034,506	68,439,999	10,911,580
Interest expense	14	129,697,000	101,469,303	70,303,437
Loss on insurance claim	20	14,855,363	-	(38,721,770)
Dividend income	20	(1,856,196)	(824,831)	(921,431)
Unrealized valuation loss (gain) in trading securities	7, 20	(11,778,850)	(676,435)	3,852,970
Loss (gain) on disposal of property and equipment	20	-	(2,031)	409,068
Interest income	4	(21,658,740)	(12,686,675)	(18,502,923)
Operating income before changes in working capital		10,768,290,696	10,018,393,821	8,940,265,036
Decrease (increase) in:				
Receivables		(688,485,925)	(1,197,759,895)	(691,183,537)
Merchandise inventory		(1,208,816,853)	(3,504,991,996)	(1,816,059,660)
Investments in trading securities		-	-	(837,092)
Prepaid expenses and other current assets		(445,120,048)	(131,706,152)	(511,571,005)
Increase (decrease) in:				
Accounts payable and accrued expenses		1,690,361,697	(152,513,178)	(528,106,689)
Due to related parties		3,289,208	4,007,211	3,115,409
Other current liabilities		17,668,572	71,556,303	(25,152,662)
Cash generated from operations		10,137,187,347	5,106,986,114	5,370,469,800
Interest received		21,658,740	12,686,675	18,502,923
Interest paid		(204,156,920)	(178,135,991)	(69,763,200)
Income taxes paid		(2,414,332,517)	(2,241,539,714)	(1,991,807,098)
Net cash provided by operating activities		7,540,356,650	2,699,997,084	3,327,402,425
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	10	(3,512,226,121)	(2,963,986,540)	(2,513,405,067)
Increase in intangibles	11	(216,129,017)	(69,082,719)	(1,529,554,502)
Increase in other noncurrent assets		(161,263,467)	(102,942,122)	(181,747,576)
Dividends received		1,856,196	824,831	921,431
Proceeds from disposal of property and equipment		6,638,394	4,194,256	16,696,755
Additions to investments	9	(140,000,000)	-	(87,500,000)
Proceeds (payment) from insurance claim (loss)	20	(14,855,363)	-	38,721,771
Net cash used in investing activities		(4,035,979,378)	(3,130,992,294)	(4,255,867,188)
<i>Forward</i>				

Years Ended December 31				
	Note	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term loans payable	14	(P120,000,000)	(P450,000,000)	(P393,700,000)
Payment of short-term loans payable	14	(2,320,000,000)	(1,650,000,000)	(703,500,000)
Availment of short-term loans payable	14	1,415,000,000	3,530,000,000	2,377,500,000
Cash dividends paid	24	(829,614,422)	(829,614,422)	(829,921,923)
Payments for treasury shares	24	-	-	(33,846,207)
Net cash provided by (used in) financing activities		(1,854,614,422)	600,385,578	416,531,870
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,649,762,850	169,390,368	(511,932,893)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	6,415,883,385	6,246,493,017	6,758,425,910
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P8,065,646,235	P6,415,883,385	P6,246,493,017

See Notes to the Consolidated Financial Statements

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
NOTES TO THE 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, pharmaceutical and medical goods, etc.) on a wholesale and retail basis. The Group has three hundred forty (340) operating stores and thirty-two (32) food service stalls. Thirty-seven (37) stores and nine (9) food service stalls were newly opened in 2017. 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	
	2017	2016
Kareila Management Corporation (KMC) ^(a)	100	100
S&R Pizza (Harbor Point), Inc. ^(b)	100	100
S&R Pizza, Inc. ^(c)	100	100
PPCI Subic, Inc. (PSI) ^(d)	100	100
Entenso Equities Incorporated (Entenso) ^(e)	100	100
Goldtempo Company Incorporated (Goldtempo) ^(f)	100	100
Daily Commodities, Inc. (DCI) ^(g)	100	100
First Lane Super Traders Co., Inc. (FLSTCI) ^(g)	100	100

(a) Operator of S&R Membership Shopping; incorporated and registered with the Philippine SEC in 2004; acquired by the Parent Company on May 28, 2012 through a Share Swap Agreement (see Note 9).

(b) A wholly-owned subsidiary of KMC incorporated and registered with the Philippine SEC on May 25, 2015.

(c) A wholly-owned subsidiary of KMC incorporated and registered with the Philippine SEC on June 10, 2016.

(d) Incorporated and registered with the Philippine SEC on May 31, 2012 and started commercial operations on September 20, 2012 (see Note 9).

(e) Incorporated and registered with the Philippine SEC on May 22, 2013 as a holding company (see Note 9).

(f) Acquired on August 26, 2015 through Entenso which subsequently acquired the significant assets of Bargain City, Inc. Multi-Merchantrade Inc. and Superplus Corporation (see Note 11).

(g) Acquired on February 3, 2015 through Entenso through a stock acquisition (see Note 11).

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.

2. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

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

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

Judgments

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

Assessing Joint Arrangements

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

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

As at December 31, 2017 and 2016, the carrying amount of its investments in joint ventures amounted to P360.19 million and P367.35 million, respectively (see Note 9).

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 P2,714.66 million, P2,515.69 million and P2,276.21 million in 2017, 2016 and 2015, respectively (see Notes 17 and 19).

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 P388.65 million, P377.28 million and P370.81 million in 2017, 2016 and 2015, respectively (see Notes 17 and 18).

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. 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, 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 December 31, 2017 and 2016. In 2017 and 2016, 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 P4,569.34 million and P3,880.86 million as at December 31, 2017 and 2016, respectively (see Note 5).

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 P17,696.64 million and P16,487.82 million as at December 31, 2017 and 2016, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment

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

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

Depreciation and amortization recognized in profit or loss amounted to P1,599.80 million, P1,379.09 million and P1,254.11 million in 2017, 2016 and 2015, respectively (see Notes 10 and 19). Property and equipment, net of accumulated depreciation and amortization, amounted to P17,696.37 million and P15,711.62 million as at December 31, 2017 and 2016, respectively (see Note 10).

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 P39.32 million, P29.62 million and P25.35 million in 2017, 2016 and 2015, respectively (see Notes 11 and 19). Net carrying value of computer software and licenses and leasehold rights amounted to P235.86 million and P245.70 million as at December 31, 2017 and 2016, respectively (see Note 11).

Impairment of Goodwill, Trademark 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 P19,501.54 million and P19,314.88 million as at December 31, 2017 and 2016, respectively (see Note 11).

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 P538.17 million and P469.26 million as at December 31, 2017 and 2016, respectively (see Note 22).

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 to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *A Disclosure initiative (Amendments to PAS 7).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12).* The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
 - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
 - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Management is currently in the process of assessing the potential impact resulting from the application of these standards on its consolidated financial statements.

Effective January 1, 2018

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

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

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

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

Effective January 1, 2019

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

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

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

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

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

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

Basis of Consolidation

Business Combinations Under Common Control

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

Business Combinations other than Under Common Control

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

The Group measures goodwill at the acquisition date as:

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

Subsidiaries

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

Loss of Control

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

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

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

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

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

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

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

Financial Assets at FVPL

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

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

The Group's investments in trading securities are classified under this category (see Note 7).

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, receivables and security deposits are included in this category (see Notes 4, 5, and 12).

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 securities are carried at cost since their fair values cannot be determined reliably in the absence of observable market data on the related assets (see Note 9).

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, other financial liabilities and noncurrent accrued rent are included in this category (see Notes 13, 14, 15, 21 and 27).

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.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

Offsetting Financial Instruments

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

Fair Value Measurements

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

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

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

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

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

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

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

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 and Associates

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

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

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

Investment in a Joint Operation

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

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 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. The Group measures goodwill at the acquisition date as:

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

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

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.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

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

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.
- *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.
- *Other Income* from display, demonstration or sampling, listing fee, endcap or palette income, merchandise support and miscellaneous income are recognized when earned.
- *Interest Income* is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.
- *Dividends* are recognized when the Group's right as a shareholder to receive the payment is established.

Cost of Sales

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

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. Cumulative excess of rent expense over billing from lessors are presented as noncurrent accrued rent in the consolidated statements of financial position.

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. Cumulative excess of rent income over billing to tenants are presented as accrued rent income classified as part of noncurrent assets.

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.

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 as at December 31 consists of:

	<i>Note</i>	2017	2016
Cash on hand		P911,980,247	P872,185,446
Cash in banks	27, 28	1,595,422,919	1,457,275,840
Money market placements	27, 28	5,558,243,069	4,086,422,099
	28	P8,065,646,235	P6,415,883,385

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 0.30% to 2.00% in 2017, 0.50% to 2.00% in 2016, and 1.60% to 2.08% in 2015. Interest income earned from cash in banks and money market placements amounted to P21.66 million, P12.69 million, and P18.50 million in 2017, 2016, and 2015, respectively.

5. Receivables

This account as at December 31 consists of:

	<i>Note</i>	2017	2016
Trade receivables	a, 21	P2,519,922,263	P2,248,947,108
Non-trade receivables	b, 21	2,056,881,780	1,639,371,010
		4,576,804,043	3,888,318,118
Less allowance for impairment losses on trade receivables from third parties	a	7,462,327	7,462,327
	27, 28	P4,569,341,716	P3,880,855,791

- 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 December 31, 2017 and 2016, 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.

6. 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 December 31, 2017 and 2016 is lower than NRV.

The Group's merchandise inventory as at December 31, 2017 and 2016 amounted to P17,696.64 million and P16,487.82 million, respectively.

Inventory charged to the cost of sales amounted to P103,836.27 million, P94,051.01 million and P80,682.78 million in 2017, 2016 and 2015, respectively (see Note 16).

7. 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:

	<i>Note</i>	2017	2016
Cost			
Balance at beginning of the year		P15,355,998	P15,355,998
Valuation Adjustments			
Balance at beginning of the year		19,753,028	19,076,593
Unrealized valuation gain for the year	20	11,778,850	676,435
		31,531,878	19,753,028
	28	P46,887,876	P35,109,026

8. Prepaid Expenses and Other Current Assets

This account as at December 31 consists of:

	2017	2016
Prepaid expenses	P747,612,076	P557,768,260
Input value added tax (VAT)	362,760,754	372,241,293
Deferred input VAT	69,290,170	51,907,561
	P1,179,663,000	P981,917,114

The details of prepaid expenses are as follows:

	Note	2017	2016
Rent	17	P342,844,532	P375,748,248
Advances to contractors		215,533,529	13,987,975
Insurance		81,191,119	64,880,857
Taxes and licenses		68,876,979	65,342,856
Supplies		29,953,376	21,568,898
Repairs and maintenance		6,226,139	7,409,696
Others		2,986,402	8,829,730
		P747,612,076	P557,768,260

Advances to contractors pertain to payments made in advance for the construction of new stores.

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

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.

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.

9. Investments; Acquisitions of Subsidiaries

Investments

The details of investments are as follows:

	Note	2017	2016
Investment in associate	<i>a</i>	P433,542,657	P424,424,914
Investments in joint ventures	<i>b</i>	360,194,284	367,346,533
AFS financial assets	<i>c, 20</i>	7,879,160	7,879,160
		P801,616,101	P799,650,607

a. Investment in Associate

On December 4, 2013, the Group through Entenso acquired equity interest of 49.34% in San Roque Supermarkets (SRS) for a total cost of P371,896,077. SRS is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

On October 31, 2014, the Group through 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 P19,000,800.

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

	2017	2016
Carrying Amount		
Balance at beginning of the year	P424,424,914	P427,813,089
Share in net income (loss)	9,117,743	(3,388,175)
	P433,542,657	P424,424,914

The following table summarizes the financial information of SRS and the reconciliation of the share of net assets to the carrying amount of the Group's interest in SRS:

	2017	2016
Percentage of ownership	49.34%	49.34%
Current assets	P1,063,945,081	P715,775,797
Noncurrent assets	205,634,823	214,618,758
Current liabilities	(933,892,391)	(618,297,147)
Noncurrent liabilities	(16,505,265)	(11,394,574)
Net assets	319,182,248	300,702,834
Group's share of net assets	157,484,521	148,366,778
Goodwill	276,058,136	276,058,136
Carrying amount of interest in joint venture	P433,542,657	P424,424,914
Gross income	P451,395,033	P388,150,667
Operating expenses	424,410,135	398,113,791
Net income (loss)/Total comprehensive income (loss)	18,479,414	(6,866,994)
Group's share of total comprehensive income	P9,117,743	(P3,388,175)

b. Investments in Joint Ventures

PG Lawson Company, Inc.

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.

In 2017, the Parent Company subscribed and paid additional 1,400,000 common shares at P100.00 par value for a total amount of P140.00 million while Lawson subscribed and paid additional 600,000 common shares at P100.00 par value for a total amount of P60.00 million.

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

	2017	2016
Balance at beginning of the year	P256,995,907	P318,276,913
Additions	140,000,000	-
Share in net loss	(159,806,169)	(61,281,006)
	P237,189,738	P256,995,907

The following table summarizes the financial information of PLCI and the reconciliation of the share of net assets to the carrying amount of the Group's interest in PLCI:

	2017	2016
Percentage of ownership	70%	70%
Current assets	P250,672,472	P201,177,353
Noncurrent assets	234,299,691	272,316,662
Current liabilities	(127,834,380)	(98,552,558)
Noncurrent liabilities	(18,295,300)	(7,804,447)
Net assets	338,842,483	367,137,010
Group's share of net assets	237,189,738	256,995,907
Carrying amount of interest in joint venture	P237,189,738	P256,995,907
Gross income	P472,138,114	P67,478,676
Operating expenses	646,575,139	193,910,829
Net loss/Total comprehensive loss	(233,793,904)	(87,544,295)
Impact of previous years' audited operating results	5,499,377	-
Adjusted net results	228,294,527	(87,544,295)
Group's share of total comprehensive income	(P159,806,169)	(61,281,006)

AyaGold Retailers, Inc.

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.

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

	2017	2016
Balance at beginning of the year	P110,350,626	P114,121,444
Share in net income (loss)	12,653,920	(3,770,818)
	P123,004,546	P110,350,626

The following table summarises the financial information of Ayagold and the reconciliation of the share of net assets to the carrying amount of the Group's interest in Ayagold:

	2017	2016
Percentage of ownership	50%	50%
Current assets	P259,740,877	P125,511,593
Noncurrent assets	155,517,973	167,581,943
Current liabilities	(173,016,250)	(76,158,776)
Net assets	242,242,600	216,934,760
Group's share of net assets	121,121,300	108,467,380
Adjustments	1,883,246	1,883,246
Carrying amount of interest in joint venture	P123,004,546	P110,350,626
Gross income	P120,857,719	P99,008,504
Operating expenses	95,549,879	106,550,140
Net income (loss)/Total comprehensive income (loss)	25,307,840	(7,541,636)
Group's share of total comprehensive income	P12,653,920	(P3,770,818)

c. *AFS Financial Assets*

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

Dividend income related to these investments amounted to P1.86 million, P0.82 million, and P0.92 in 2017, 2016, and 2015, respectively (see Note 20).

Acquisitions of Subsidiaries

The following are the developments relating to the Parent Company's investments in subsidiaries in 2017 and 2016:

Entenso Equities Incorporated (Entenso)

On July 3, 2013, the Parent Company's BOD approved the acquisition of Entenso's entire outstanding capital stock. On the same day, the BOD of Entenso approved the increase in Entenso's authorized capital stock from P5.00 million divided into 50,000 shares at P100 par value to P1.00 billion divided into 10,000,000 shares at P100 par value.

In 2016 and 2015, the Company made an additional investment to Entenso amounting to P458 million and P1.7 billion, respectively. Entenso is in the process of filing application for increase in its authorized capital stock with the SEC.

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. As at December 31, 2014, there are fourteen stores in operation and one store in Rizal was closed in the same year.

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. In April 1, 2015, upon approval by the SEC of the merger, the existence of Company E ceased and all its assets and liabilities were merged with the Parent Company.

Kareila Management Corporation

On May 28, 2012, the acquisition of Kareila, operator of S&R Membership Shopping, through a "share-for-a-share" swap was approved by the SEC. The principal activities of Kareila include management of businesses, investing in the business that it manages, or of which it is the managing agent; and providing management investment and technical advice to commercial, industrial, manufacturing, and other enterprises.

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. The fair market value of the 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. The Company incurred acquisition-related cost of P3.83 million. This cost has been included as part of operating expenses.

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 of Kareila resolved to increase its authorized capital stock from P500 million divided into 5 million shares, with par value of P100 per share to P3,000 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 million, 25% of which or P625 million had been actually subscribed by the Parent company out of the stock dividend declared by Kareila. On the same date, the Kareila amended its articles of incorporation. Subsequently, on December 13, 2013, SEC approved the Kareila's application of its increase in authorized capital stock.

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.

10. Property and Equipment

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

Cost	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Balance, December 31, 2015	P4,915,432,156	P2,089,531,893	P5,844,309,756	P6,337,368,457	P403,740,152	P257,778,020	P19,848,160,434
Additions	226,526,122	162,430,837	758,869,771	426,509,668	938,721	1,485,869,471	3,061,144,590
Reclassifications	100,393,352	37,036,852	230,952,626	798,104,984	(24,869,686)	(1,141,618,128)	-
Disposals	-	(1,372,834)	(5,418,958)	(575,768)	-	-	(7,367,560)
Balance, December 31, 2016	5,242,351,630	2,287,626,748	6,828,713,195	7,561,407,341	379,809,187	602,029,363	22,901,937,464
Additions	367,679,075	171,949,590	544,593,984	456,292,266	29,667,128	2,021,010,633	3,591,192,676
Reclassifications	282,481,436	46,373,964	337,014,145	905,680,602	26,751,530	(1,598,301,677)	-
Disposals	-	(721,739)	(13,563,437)	(729,745)	-	-	(15,014,921)
Balance, December 31, 2017	5,892,512,141	2,505,228,563	7,696,757,887	8,922,650,464	436,227,845	1,024,738,319	26,478,115,219
Accumulated Depreciation and Amortization							
Balance, December 31, 2015	716,554,578	786,591,501	3,282,195,497	1,029,078,001	-	-	5,814,419,577
Depreciation and amortization	171,362,045	159,092,915	720,574,983	328,061,268	-	-	1,379,091,211
Reclassifications	-	186,558	(186,558)	-	-	-	-
Disposals	-	(67,259)	(3,108,076)	-	-	-	(3,175,335)
Adjustments	-	-	(20,345)	-	-	-	(20,345)
Balance, December 31, 2016	887,916,623	945,803,715	3,999,455,501	1,357,139,269	-	-	7,190,315,108
Depreciation and amortization	194,186,248	181,796,799	824,051,506	399,769,766	-	-	1,599,804,319
Disposals	-	(601,756)	(7,483,305)	(291,466)	-	-	(8,376,527)
Balance, December 31, 2017	1,082,102,871	1,126,998,758	4,816,023,702	1,756,617,569	-	-	8,781,742,900
Carrying Amount							
December 31, 2016	P4,354,435,007	P1,341,823,033	P2,829,257,694	P6,204,268,072	P379,809,187	P602,029,363	P15,711,622,356
December 31, 2017	P4,810,409,270	P1,378,229,805	P2,880,734,185	P7,166,032,895	P436,227,845	P1,024,738,319	P17,696,372,319

As at December 31, 2017 and 2016, the Parent Company has outstanding payable for property additions amounting to P2.56 million and P21.74 million, respectively (see Note 13). In addition, interest expense related to loans amounting to P76.40 million, P75.44 million and P92.22 million had been capitalized in 2017, 2016 and 2015, respectively (see Note 14).

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.

No impairment loss was recognized in 2017 and 2016.

11. Intangibles and Goodwill

This account as at December 31 consists of:

	Note	2017	2016
Goodwill	<i>a</i>	P14,902,423,321	P14,715,769,906
Trademark	<i>b</i>	3,709,660,547	3,709,660,547
Customer relationships	<i>b</i>	889,452,981	889,452,981
Computer software and licenses - net	<i>c</i>	177,210,095	183,285,588
Leasehold rights	<i>c</i>	58,649,296	62,417,046
		P19,737,396,240	P19,560,586,068

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 and businesses:

	Note	2017	2016
Kareila		P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	<i>a.1</i>	837,974,199	838,524,672
DCI and FLSTCI	<i>a.2</i>	685,904,317	685,904,317
Gant		742,340,804	742,340,804
Company E		358,152,015	358,152,015
B&W	<i>a.3</i>	187,203,888	-
PJSI		11,370,121	11,370,121
Merger of PJSI and Gant to Parent Company		4,142	4,142
		P14,902,423,321	P14,715,769,906

Movement in goodwill is as follows:

	2017	2016
Balance at beginning of the year	P14,715,769,906	P14,684,084,973
Additions	187,203,888	-
Fair value adjustments	(550,473)	31,684,933
	P14,902,423,321	P14,715,769,906

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

On August 6, 2015, the Group through Goldtempo 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.

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

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

Movement of goodwill is as follows:

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

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

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

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

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

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

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

Acquisition cost	P768,485,000
Fair value of net assets	77,580,683
Goodwill	P690,904,317

Movement of goodwill is as follows:

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

In 2016, goodwill arising from the acquisition of DCI and FLSTCI decreased by P5 million upon finalization of DCI's and FLSTCI's purchase price allocation. As a result, the carrying value of the identifiable net assets at the date of acquisition changes, and the change resulted from the increase in the beginning balance of capital stock from P5 million to P10 million.

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

On March 14, 2017, the Board of Directors approved the merger of Goldtempo Company Incorporated, Daily Commodities, Inc., and First Lane Super Traders Co., Inc. (a wholly owned subsidiaries of Entenso) into the Parent Company. On November 22, 2017, SEC issued the Certificate of Merger of the Parent Company with Daily Commodities, Inc. First Lane Super Traders Co. Inc. and Goldtempo Company Incorporated which will be subsequently operating under the Puregold brand name. The Parent Company adopted January 1, 2018 as the effective date of the merger and is in the process of finalizing documentary requirements to be submitted to SEC.

a.3.Acquisition of B and W Supermart, Black and White Supermart and Goodshop Supermart (collectively referred to as "B&W Supermart").

On September 26, 2017, the Parent Company acquired substantially all the assets and rights of B&W Supermart and took over the operations of five (5) supermarkets located in Roxas City, Capiz.

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

Purchase price consideration transferred	P270,000,000
Fair value of <u>property</u> and equipment	82,796,112
Goodwill	P187,203,888

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

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

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

b. Trademark and Customer Relationships

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

Impairment of Goodwill, Trademark and Customer Relationships

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

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

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 as at and for the years ended December 31 consists of:

	Computer Software and Licenses	Leasehold Rights	Total
Cost			
Balance, January 1, 2016	P269,652,433	P75,355,005	P345,007,438
Additions	37,397,786	-	37,397,786
Balance, December 31, 2016	307,050,219	75,355,005	382,405,224
Additions	29,475,602		29,475,602
Balance, December 31, 2017	336,525,821	75,355,005	411,880,826
Accumulated Amortization			
Balance, January 1, 2016	97,914,777	9,170,209	107,084,986
Amortization	25,849,854	3,767,750	29,617,604
Balance, December 31, 2016	123,764,631	12,937,959	136,702,590
Amortization	35,551,095	3,767,750	39,318,845
Balance, December 31, 2017	159,315,726	16,705,709	176,021,435
Carrying Amount			
December 31, 2016	P183,285,588	P62,417,046	P245,702,634
December 31, 2017	P177,210,095	P58,649,296	P235,859,391

12. Other Noncurrent Assets

This account consists of:

	Note	2017	2016
Security deposits	17, 27, 28	P1,489,124,969	P1,387,243,564
Prepaid rent	17	147,038,053	86,502,207
Accrued rent income	17, 23	34,365,546	35,519,330
		P1,670,528,568	P1,509,265,101

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

13. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2017	2016
Trade	21, 27, 28	P7,709,108,433	P6,021,729,009
Non-trade	21, 27, 28	1,406,032,482	1,778,722,639
Dividends payable	24, 27, 28	1,106,152,562	829,614,422
Withholding taxes payable		204,643,491	172,167,015
Accrued expenses:	27, 28		
Manpower agency services		845,268,647	561,627,984
Utilities		160,202,211	98,924,604
Professional fees		48,469,465	48,232,908
Rent		35,399,646	27,017,908
Interest		5,884,247	3,940,506
Fixed asset acquisition	10	2,562,894	21,736,891
Others		89,233,787	79,945,503
		P11,612,957,865	P9,643,659,389

The average credit period on purchases of certain goods from suppliers is 30 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 27).

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

Fixed asset acquisition pertains to assets received but the related invoices are still in process.

14. Loans Payable

As at December 31, 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:

	Note	2017	2016
Short-term note based on 2.375%	i	P1,557,500,000	P2,647,500,000
Short-term note based on 2.875%	i	1,115,000,000	-
Short-term note based on 2.5%	i	490,000,000	1,220,000,000
Short-term note based on 2.125%	i	450,000,000	450,000,000
Short-term note based on 2.00%	i	200,000,000	200,000,000
Short-term note based on 2.375%	ii	300,000,000	500,000,000
	27, 28	P4,112,500,000	P5,017,500,000

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

2017			
Execution Date	Maturity Date	Interest Rate	Principal
July 26, 2017	January 22, 2018	2.375%	P500,000,000
November 27, 2017	May 25, 2018	2.875%	500,000,000
October 25, 2017	January 23, 2018	2.500%	490,000,000
July 24, 2017	January 19, 2018	2.375%	467,500,000
November 10, 2017	May 9, 2018	2.875%	280,000,000
December 27, 2017	December 21, 2018	2.125%	250,000,000
July 21, 2017	January 17, 2018	2.125%	200,000,000
July 26, 2017	January 22, 2018	2.000%	200,000,000
November 13, 2017	February 9, 2018	2.875%	185,000,000
August 7, 2017	February 2, 2018	2.375%	180,000,000
August 9, 2017	February 5, 2018	2.375%	180,000,000
January 10, 2017	January 5, 2018	2.375%	150,000,000
October 13, 2017	January 11, 2018	2.875%	150,000,000
July 31, 2017	January 26, 2018	2.375%	80,000,000
			P3,812,500,000

2016			
Execution Date	Maturity Date	Interest Rate	Principal
November 25, 2016	February 23, 2017	2.375%	P550,000,000
February 3, 2016	January 27, 2017	2.375%	500,000,000
October 28, 2016	January 26, 2017	2.500%	490,000,000
February 1, 2016	January 25, 2017	2.375%	467,500,000
February 26, 2016	February 20, 2017	2.500%	310,000,000
October 14, 2016	January 12, 2017	2.500%	300,000,000
November 29, 2016	February 27, 2017	2.375%	300,000,000
November 15, 2016	June 30, 2017	2.125%	250,000,000
August 26, 2016	January 27, 2017	2.000%	200,000,000
October 25, 2016	January 23, 2017	2.125%	200,000,000
February 15, 2016	February 8, 2017	2.375%	180,000,000
August 15, 2016	February 10, 2017	2.375%	180,000,000
January 18, 2016	January 11, 2017	2.375%	150,000,000
December 13, 2016	March 13, 2017	2.375%	150,000,000
February 9, 2016	February 1, 2017	2.375%	120,000,000
October 28, 2016	January 26, 2017	2.500%	120,000,000
October 10, 2016	April 7, 2017	2.375%	50,000,000
			P4,517,500,000

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 inventory financing and funding of short term working capital requirement. Total short term loans payable renewed and extended in 2017 amounted to P2,697.50 million.

- ii. In 2017, Kareila entered into unsecured short-term loans with Cosco at 2.50% interest rate per annum on the following dates:

Date	Maturity Date	Amount
September 8, 2017	March 8, 2018	P150,000,000
September 15, 2017	March 15, 2018	150,000,000
Total		P300,000,000

In 2016, Kareila entered into unsecured short-term loans with Cosco at 2.375% interest per annum on the following dates:

Date	Maturity Date	Amount
June 29, 2016	December 28, 2016	P200,000,000
July 15, 2016	January 14, 2017	100,000,000
September 01, 2016	March 01, 2017	100,000,000
September 08, 2016	March 08, 2017	150,000,000
September 15, 2016	March 15, 2017	150,000,000
Total		P700,000,000

b. Long-term Loans Payable

b.1. As at December 31, the outstanding loans are as follows:

	Note	2017	2016
Unsecured Peso Denominated			
Fixed rate note based on 3.5%	i	P1,999,204,654	P1,997,096,658
Fixed rate note based on 3.25%	ii	-	120,000,000
Fixed rate note based on 3.5%	iii	400,000,000	400,000,000
	27, 28	2,399,204,654	2,517,096,658
Less current portion		(2,399,204,654)	120,000,000
		P -	P2,397,096,658

- i. On June 13, 2013, the Parent Company issued a P2 billion promissory note with a local bank. 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 with a local bank. The debt bears a 3.25% interest rate per annum and shall be repaid in a single payment on maturity. During 2016, a total of P450.00 million of the loan amount was already paid. The balance was renewed at 2.375% interest rate per annum and payable on January 4, 2017.

The movements in debt issue costs are as follows:

	2017	2016
Balance at beginning of the year	P2,903,342	P4,937,702
Amortizations	(2,107,996)	(2,034,360)
Balance at end of year	P795,346	P2,903,342

- iii. On July 23, 2013, Kareila signed and executed a P500.00 million unsecured loan agreement with a local bank. The loan shall be repaid in lump sum after five (5) years. Its related interest is at 3.50% per annum. In 2015, P100.00 million of the loan was repaid in advance by the Company. The remaining balance of P400.00 million will be paid on a lump sum on July 6, 2018.

Repayment Schedule

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

Year	2017	2016
2017	P -	P120,000,000
2018	2,000,000,000	2,000,000,000
	P2,000,000,000	P2,120,000,000

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

Interest expense from these loans amounting to P76.40 million, P75.44 million and P92.22 million were capitalized in 2017, 2016 and 2015, respectively and recognized in building and leasehold improvements under property and equipment accounts (see Note 10). Remaining interest expense that was charged to profit and loss amounted to P129.70 million, P101.47 million and P70.30 million in 2017, 2016 and 2015, respectively.

Changes in liabilities arising from financing activities:

The movements and balances of this account are as follows:

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 13 and 24)	Total
Balance at January 1, 2017	P5,017,500,000	P2,517,096,658	P829,614,422	P8,364,211,080
Changes from financing cash flows				
Availment of loans	1,415,000,000	-	-	1,415,000,000
Payment of loans	(2,320,000,000)	(120,000,000)	-	(2,440,000,000)
Payment of dividends	-	-	(829,614,422)	(829,614,422)
Total changes from financing cash flows	4,112,500,000	2,397,096,658	-	6,509,596,658
Other changes				
<i>Liability-related</i>				
Declaration of dividends	-	-	1,106,152,562	1,106,152,562
Amortization of debt issue costs	-	2,107,996	-	2,107,996
Total liability-related changes	-	2,107,996	1,106,152,562	1,108,260,558
Balance at December 31, 2017	P4,112,500,000	P2,399,204,654	P1,106,152,562	P7,617,857,216

15. Other Current Liabilities

This account consists of:

	Note	2017	2016
Deposits	17, 27, 28	P164,487,790	P141,161,517
Unredeemed gift certificates		89,839,889	102,275,712
Loyalty and rewards		85,730,271	88,449,780
VAT payable		32,251,259	48,367,991
Promotion fund		19,996,595	13,402,740
Others	27, 28	29,227,111	10,206,603
		P421,532,915	P403,864,343

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

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

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

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

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

16. Cost of Sales

This account for the years ended December 31 consists of:

	Note	2017	2016	2015
Beginning inventory	6	P16,487,824,308	P12,982,832,312	P11,166,772,652
Add: Purchases		105,045,091,408	97,555,998,450	82,498,837,974
Total goods available for sale		121,532,915,716	110,538,830,762	93,665,610,626
Less ending inventory	6	17,696,641,161	16,487,824,308	12,982,832,312
		P103,836,274,555	P94,051,006,454	P80,682,778,314

17. 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 8 and 12).

Rent expense included under "Operating expenses" in the consolidated statements of comprehensive income amounted to P2,714.66 million, P2,515.69 million and P2,276.21 million in 2017, 2016 and 2015, respectively (see Note 19).

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

	2017	2016	2015
Due within one year	P2,241,396,936	P2,057,326,120	P1,875,675,972
Due more than one year but not more than five years	9,438,782,266	8,688,301,793	7,989,235,677
Due more than five years	34,377,210,642	32,996,247,728	32,171,881,713
	P46,057,389,844	P43,741,875,641	P42,036,793,362

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 15).

Rent income recognized in profit or loss in 2017, 2016 and 2015 amounted P388.65 million, P377.28 million and P370.81 million, respectively (see Note 18).

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

	2017	2016	2015
Due within one year	P186,082,674	P213,715,008	P221,218,520
Due more than one year but not more than five years	237,501,512	257,952,124	296,252,472
Due more than five years	100,983,790	148,073,465	167,316,410
	P524,567,976	P619,740,597	P684,787,402

18. Other Operating Income

This account for the years ended December 31 consists of:

	Note	2017	2016	2015
Concession income		P1,647,845,057	P1,517,079,129	P1,386,647,815
Display allowance		581,265,482	615,884,283	537,081,303
Membership income		452,973,681	399,965,999	361,239,476
Rent income	17	388,645,067	377,280,913	370,812,459
Merchandising support		98,362,240	151,203,463	90,098,825
Listing fee		69,910,976	70,254,459	30,958,036
Demo/sampling income		17,206,295	12,869,896	8,554,355
Miscellaneous		257,164,671	121,649,859	100,462,061
		P3,513,373,469	P3,266,188,001	P2,885,854,330

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.

Membership income pertains to fees from members of Kareila, PPCI and Subic wherein such fees permit only membership, and all other services or products are paid for separately.

Rent income relates to the income earned for the store spaces occupied by the tenants.

Merchandising support pertains to income generated from promotional activities.

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

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

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

19. Operating Expenses

This account for the years ended December 31 consists of:

	<i>Note</i>	2017	2016	2015
Rent	17	P2,714,659,830	P2,515,689,827	P2,276,213,516
Manpower agency services		2,878,788,171	2,138,731,952	1,818,316,051
Communication, light and water		1,903,212,317	1,675,861,989	1,599,878,300
Salaries and wages		1,782,722,428	1,582,166,197	1,356,514,106
Depreciation and amortization	10, 11	1,639,123,164	1,408,708,815	1,279,462,358
Security services		887,991,211	841,058,213	733,128,869
Taxes and licenses		642,283,135	531,072,558	444,684,977
Store and office supplies		546,921,912	473,174,985	436,061,717
Concession expense	21	503,476,012	477,641,920	475,968,505
Repairs and maintenance		367,634,094	373,304,387	314,858,570
Advertising and marketing		244,983,510	167,075,032	134,729,472
Janitorial and messengerial services		183,991,134	424,688,008	351,641,717
Insurance		173,781,344	150,498,306	132,564,247
Other selling expenses		160,627,280	146,996,247	147,127,670
Retirement benefits cost	22	147,018,254	119,606,198	104,549,247
SSS/Medicare and HDMF contributions		131,018,960	115,952,911	99,979,981
Representation and entertainment		77,799,912	71,300,463	94,017,565
Reward point expense		68,178,869	81,136,800	66,870,872
Transportation		61,816,122	58,414,418	47,947,159
Input VAT allocable to exempt sales		58,423,639	93,802,537	81,815,742
Fuel and oil		57,306,745	45,485,516	42,388,068
Royalty	21	46,331,866	42,220,356	37,211,342
Professional fee		30,844,191	32,461,112	17,225,662
Miscellaneous		206,694,553	140,354,269	131,920,857
		P15,515,628,653	P13,707,403,016	P12,225,076,570

20. Others

This account for the years ended December 31 consists of:

	<i>Note</i>	2017	2016	2015
Unrealized valuation gain				
(loss) on trading securities	7	P11,778,850	P676,435	(P3,852,970)
Dividend income	9	1,856,196	824,831	921,431
Gain (loss) on disposal of property and equipment	10	-	2,031	(409,068)
Foreign exchange loss		(122,754)	(435,806)	(558,444)
Gain (loss) on insurance claim		(14,855,363)	-	38,721,770
Bank charges		(20,953,904)	(23,625,331)	(17,089,808)
		(P22,296,975)	(P22,557,840)	P17,732,911

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

21. Related Party Transactions

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

Related Party	Year	Note	Outstanding Balances					Terms	Conditions
			Amount of Transactions for the Year	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)		
Parent									
Dividends	2017		P564,137,807	P -	P -	P -	P564,137,807	Due and demandable	Unsecured
	2016		423,103,355	-	-	-	423,103,355	-	-
	2015		423,103,355	-	-	-	423,103,355	-	-
Repairs and maintenance	2017		39,836	-	39,836	-	-	Due and demandable	Unsecured; no impairment
	2016		141,256	-	141,256	-	-	Due and demandable	Unsecured; no impairment
Loans	2017	e	300,000,000	-	-	-	-	Due and demandable	Unsecured
	2016		700,000,000	-	-	-	-	Due and demandable	Unsecured
Interest expense	2017	e	13,031,250	-	-	-	-	Due and demandable	Unsecured
	2016		6,402,604	-	-	-	663,021	-	-
Other Related Parties*									
Rent	2017		696,146,148	-	232,455	-	41,960,431	Due and demandable	Unsecured; no impairment
	2016		645,467,625	-	1,772,425	-	17,643,971	Due and demandable	Unsecured; no impairment
	2015	a	584,080,827	-	-	-	14,380,058	Due and demandable	Unsecured
Concession expense	2017		503,476,012	-	-	-	-	Due and demandable	Unsecured
	2016		477,641,920	-	-	-	-	Due and demandable	Unsecured
	2015	b	475,968,505	-	-	-	-	Due and demandable	Unsecured
Purchase of merchandise	2017		2,093,968,112	-	-	589,760,330	-	Due and demandable	Unsecured
	2016	c	1,570,469,568	-	-	418,764,671	-	Due and demandable	Unsecured; no impairment
	2015		1,112,612,797	-	-	494,342,576	-	Due and demandable	Unsecured; no impairment
Sale of merchandise	2017		69,055,889	24,344,715	-	-	-	Due and demandable	Unsecured; no impairment
	2016	c	74,927,413	29,483,856	-	-	-	Due and demandable	Unsecured; no impairment
	2015		77,553,903	19,407,252	-	-	-	Due and demandable	Unsecured; no impairment
Other income	2016	c	-	-	-	-	-	Due and demandable	Unsecured; no impairment
	2015		2,520,217	-	2,520,217	-	-	Due and demandable	Unsecured; no impairment
Security deposits	2017		5,435,937	-	-	-	13,099,795	Due and demandable	Unsecured; no impairment
	2016	a/c	9,943,027	-	3,277,636	-	-	Due and demandable	Unsecured; no impairment
	2015		11,662,010	-	-	-	79,545	Due and demandable	Unsecured; no impairment
Repairs and maintenance	2017		6,681,741	-	4,867,503	-	313,724	Due and demandable	Unsecured; no impairment
	2016	c	9,527,741	-	7,137,745	-	388,502	Due and demandable	Unsecured; no impairment
	2015		1,584,026	-	-	-	223,308	Due and demandable	Unsecured; no impairment
Utilities expense	2017		167,323,201	-	966,401	-	6,910,791	Due and demandable	Unsecured; no impairment
	2016	c	186,567,509	-	1,643,156	-	29,942,648	Due and demandable	Unsecured; no impairment
	2015		198,153,616	-	-	-	16,631,640	Due and demandable	Unsecured; no impairment

Forward

Related Party	Year	Note	Amount of Transactions for the Year	Outstanding Balances				Due to Related Parties	Terms	Conditions
				Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)			
Communications	2017		P324,274	P -	P -	P -	P6,570	P -	Due and demandable	Unsecured
	2016	c	411,200	-	-	-	70,830	-		
	2015		310,120	-	-	-	11,167	-		
Management fee	2017		11,064,691	-	-	-	1,581,800	-	Due and demandable	Unsecured
	2016	c	6,221,557	-	-	-	2,187,694	-		
	2015		13,314,921	-	-	-	5,332,398	-		
Supplies	2017		12,206,325	-	18,960	-	2,156,077	-	Due and demandable	Unsecured
	2016	c	8,918,492	-	-	-	1,427,654	-		
	2015		8,618,045	-	-	-	2,093,305	-		
Insurance	2017		1,181,662	-	485	-	14,202	-	Due and demandable	Unsecured
	2016	c	58,830	-	-	-	45,038	-	Due and demandable	Unsecured
Taxes and licenses	2017	c	228,358	-	3,029	-	70,336	-	Due and demandable	Unsecured
Fixed asset	2015	c	1,086,240	-	-	-	600,000	-	Due and demandable	Unsecured
Employee benefits	2017		2,192,102	-	202,755	-	13,817	-	Due and demandable	Unsecured
	2016	c	48,925	-	-	-	12,657	-		
	2015		3,433	-	-	-	-	-		
Other Income	2017	c	224,051	-	224,051	-	-	-		
Key Management Personnel										
Royalty expense	2017	d	46,331,866	-	-	-	-	37,065,831	Due and demandable	Unsecured
	2016		42,220,356	-	-	-	-	33,776,623		
	2015		37,211,342	-	-	-	-	29,769,412		
Rent expense	2017		22,532,356	-	-	-	-	-		
	2016		-	-	-	-	-	-		
	2015		21,821,520	-	-	-	-	-		
Short-term benefits	2017		121,742,192	-	-	-	-	-		
	2016		97,238,938	-	-	-	-	-		
	2015		80,383,420	-	-	-	-	-		
Total	2017		P24,344,715	P6,555,475	P589,760,330	P630,265,350	P337,065,831			
Total	2016		P29,483,856	P13,972,218	P418,764,671	P475,485,370	P533,776,623			
Total	2015		P19,407,252	P2,520,217	P494,342,576	P462,454,776	P29,769,412			

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

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. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

c. Other Significant Transactions

These pertain to purchases and sale of merchandise, rent income, security deposits paid, repairs and maintenance, utilities, communications, taxes and licenses, 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 December 31, 2017 and 2016. 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.

e. Loans

As discussed in Note 14, Kareila entered into unsecured short - term loans with Cosco amounting to P300.00 million and P700.00 million in 2017 and 2016, respectively. Interest expense related to this loan amounted to P13.03 million and P6.40 million in 2017 and 2016, respectively. These loans are to be settled in cash upon its maturity.

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

Related Party Transactions and Balances Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation are as follows:

- a. Sales from the Parent Company to the subsidiaries:

	2017	2016
Sales	P6,632,929	P3,126,396

- b. Receivables from Parent Company to the subsidiaries:

	2017	2016
Receivables	P11,260,418	P3,596,935

Receivables from subsidiaries are unsecured, non-interest bearing and are payable on demand.

- c. Dividends Receivables from the Parent Company to KMC and PSI:

	Amount of Transaction	2017	2016
KMC	P475,000,000	P475,000,000	P475,000,000
Subic	-	200,000,000	200,000,000
		P675,000,000	P675,000,000

22. Retirement Benefits Liability

The Parent Company and its subsidiaries has 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, 2017. 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 as at December 31 is as follows:

	2017	2016
Present value of defined benefit obligation	P564,085,747	P494,733,328
Fair value of plan assets	(25,912,570)	(25,475,333)
Retirement benefits liability	P538,173,177	P469,257,995

The following table shows reconciliation from the opening balances to the closing balances for present value of defined benefit obligation:

	2017	2016
Balance at January 1	P494,733,328	P465,327,210
Included in Profit or Loss		
Current service cost	121,772,174	98,096,474
Interest cost	26,616,653	22,754,500
	148,388,827	120,850,974
Included in other Comprehensive Income		
Remeasurements gain:		
Actuarial gain arising from:		
Financial assumptions	(39,549,415)	(55,852,131)
Experience adjustment	(39,486,993)	(35,592,725)
	(79,036,408)	(91,444,856)
Balance at December 31	P564,085,747	P494,733,328

The movements in the fair value of plan assets are as follows:

	2017	2016
Beginning of the year	P25,475,333	P25,455,537
Interest income	1,370,573	1,244,776
Remeasurement loss	(933,336)	(1,224,980)
End of the year	P25,912,570	P25,475,333

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

	2017	2016
Remeasurements of retirement liability at beginning of year	(P89,290,096)	P929,780
Actuarial gain on defined benefit obligation	(78,103,072)	(90,219,876)
Remeasurements of retirement liability at end of year	(P167,393,168)	(P89,290,096)

The cumulative remeasurements of retirement benefits liability, net of deferred income taxes, amounted to P117.31 million and P62.52 million as at December 31, 2017 and 2016, respectively, as presented in the consolidated statements of changes in equity.

The Company's plan assets as at December 31 consist of the following:

	2017	2016
Cash in banks	P2,032,605	P3,566,859
Debt instruments - government bonds	23,648,111	21,705,683
Trust fees payable	(13,059)	(12,896)
Other	244,913	215,687
	P25,912,570	P25,475,333

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

	2017	2016
Discount rate	5.70%	5.38%
Future salary increases	8.00%	8.00%

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

The weighted average duration of the defined benefit obligation at the end of the reporting period is 26.3 years.

Sensitivity Analysis

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

2017

	Increase	Decrease
Discount rate (1% movement)	(P105,136,263)	P134,997,650
Future salary increase rate (1% movement)	123,240,684	(99,204,506)

2016

	Increase	Decrease
Discount rate (1% movement)	(P121,908,893)	P94,409,701
Future salary increase rate (1% movement)	111,124,460	(88,990,413)

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

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

Funding Arrangements

Since the Group does not have a formal retirement plan, funding to the plan are paid by the Group when needed.

Maturity analysis of the benefit payments:

	2017				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P564,085,747	P123,425,704	P23,214,858	P19,300,587	P80,910,259

	2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P494,733,328	P110,196,127	P18,894,732	P29,583,933	P61,717,462

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 million pesos.

The Group does not expect to contribute to the plan in 2017.

23. Income Taxes

The components of income tax expense are as follows:

	2017	2016	2015
Current tax expense	P2,695,668,770	P2,550,889,317	P2,266,251,752
Deferred tax benefit	(151,756,477)	(159,755,419)	(163,583,211)
	P2,543,912,293	P2,391,133,898	P2,102,668,541

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

	2017	2016	2015
Income before income tax	P8,384,124,086	P7,917,364,304	P7,104,540,127
Income tax expense at the statutory income tax rate:			
30%	P2,525,456,955	P2,348,807,007	P2,106,319,798
5%	5,204,579	4,822,949	4,173,707
Income tax effects of:			
Non-deductible other expenses	19,565,312	36,933,884	24,460,093
Non-deductible interest expense	2,279,372	1,312,588	2,237,395
Changes in unrecognized DTA/DTL	1,245,452	962,164	-
Dividend income subjected to final tax	(556,859)	(247,449)	(276,429)
Interest income subjected to final tax	(5,748,862)	(3,402,012)	(5,550,877)
Non-taxable income	(3,533,656)	1,944,767	(28,695,146)
	P2,543,912,293	P2,391,133,898	P2,102,668,541

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:

	2017		2016	
	Amount	DTA (DTL)	Amount	DTA (DTL)
Accrued rent expense*	P3,239,251,146	P971,775,344	P2,909,865,855	P867,608,435
Retirement benefits liability	730,176,907	218,704,955	583,463,246	174,690,857
NOLCO	15,367,497	4,610,249	4,603,050	1,380,915
Allowance for impairment losses on receivables	7,462,327	2,238,698	7,462,327	2,238,698
Recognition of DTA due to Merger	389,731	116,919	389,731	116,919
DTA	3,992,647,608	1,197,446,165	3,505,784,209	1,046,035,824
Fair value of intangible assets from business combination	(4,599,113,528)	(1,379,734,058)	(4,599,113,528)	(1,379,734,058)
Actuarial gains	(167,393,168)	(50,079,841)	(89,290,095)	(26,765,817)
Accrued rent income	(34,365,544)	(10,309,662)	(35,519,329)	(10,655,799)
DTL	(4,800,872,240)	(1,440,123,561)	(4,723,922,952)	(1,417,155,674)
Net	(P808,224,632)	(P242,677,396)	(P1,218,138,743)	(P371,119,850)

*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.

24. 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.

On March 12, 2015, the SEC approved the application of merger of the Parent Company and Company E. As a consideration for the said merger, the Parent Company paid the owner of Company E shares of stocks equivalent to 2,045,465 shares at par value. Considering that the owner of Company E is the Parent Company, total shares of stocks issued were classified in the Parent Company's book as treasury shares.

The Parent Company's authorized, issued and outstanding common stocks as at December 31 are as follow:

	2017	2016	2015
Authorized - 3,000,000,000 shares (P1 par value)			
Issued and outstanding			
Balance at beginning of year	2,785,362,877	2,785,362,877	2,783,317,412
Stock issuances during the period	-	-	2,045,465
Balance at end of year	2,785,362,877	2,785,362,877	2,785,362,877

The Parent Company's treasury stocks as at December 31 are as follow:

	2017	2016	2015
Balance at beginning of year	19,981,471	19,981,471	17,011,006
Buy back during the period	-	-	2,970,465
Balance at end of year	19,981,471	19,981,471	19,981,471

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 December 31, 2017 and 2016, the Parent Company already bought P37.75 million worth of shares and was classified in the Parent Company's book as treasury shares.

As of December 31, 2017 and 2016, the Parent Company had 40 stockholders with at least one board lot at the PSE, for a total of 2,785,362,877 (P1.00 per share par value) issued and outstanding common shares.

Retained Earnings

On December 18, 2015, the 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 8, 2016 and payment date of February 18, 2016. The total amount of dividends is P829.61 million.

On December 22, 2016, the 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, 2017 and payment date of January 20, 2017. The total amount of dividends is P829.61 million.

On December 15, 2017, the Company's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of January 2, 2018 and payment date of January 26, 2018. The total amount of dividends is P1,106.15 million.

The summary of dividends declared is as follows:

December 31, 2017

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	December 15, 2017	January 2, 2018	January 26, 2018	P1,106,152,562

December 31, 2016

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	December 22, 2016	January 12, 2017	January 20, 2017	P829,614,422

On December 21, 2016, KMC's BOD approved an appropriation of retained earnings amounting to P2.7 billion to finance the construction of four (4) 'S&R Membership Shopping' stores and twelve (12) 'S&R New York Style Pizza' quick service restaurants (QSRs). In 2017, the said appropriation was reversed.

On December 15, 2017, KMC's BOD approved an appropriation of retained earnings amounting to P4.7 billion to finance the construction of six (6) new stores and twelve (12) QSRs.

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.

Due to the effect of merger, retained earnings of Company E amounting to P116.89 million formed part of the retained earnings of the Parent Company. Company E was 100% wholly-owned by the Parent Company before merger.

25. Segment Information

The Group operates through stores in several locations. The combined financial statements of all 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*.

26. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	2017	2016	2015
Net income (a)	P5,840,211,793	P5,526,230,406	P5,001,871,586
Weighted average number of ordinary shares (b)	2,785,362,877	2,765,381,406	2,766,513,606
Basic/diluted EPS (a/b)	P2.10	P2.00	P1.81

As at December 31, 2017, 2016 and 2015, the Group has no dilutive debt or equity instruments.

27. 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	2017	2016
Cash in banks and cash equivalents	4	P7,153,665,988	P5,543,697,939
Receivables – net	5	4,569,341,716	3,880,855,791
Security deposits*	12	1,489,124,969	1,387,243,564
		P13,212,132,673	P10,811,797,294

*Included under noncurrent assets.

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

2017	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	P7,153,665,988	P -	P -	P -	P -	P7,153,665,988
Receivables	3,175,206,725	631,452,179	249,645,750	513,037,062	7,462,327	4,576,804,043
Security deposits	1,489,124,969	-	-	-	-	1,489,124,969
	P11,817,997,682	P631,452,179	P249,645,750	P513,037,062	P7,462,327	P13,219,595,000

2016	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	P5,543,697,939	P -	P -	P -	P -	P5,543,697,939
Receivables	2,819,816,554	480,581,538	189,998,772	390,458,927	7,462,327	3,888,318,118
Security deposits	1,387,243,564	-	-	-	-	1,387,243,564
	P9,750,758,057	P480,581,538	P189,998,772	P390,458,927	P7,462,327	P10,819,259,621

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

Liquidity Risk

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

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

As at December 31, 2017					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P11,408,314,374	P11,408,314,374	P11,408,314,374	P -	P -
Short-term loans payable	4,112,500,000	4,112,500,000	4,112,500,000	-	-
Due to related parties	37,065,831	37,065,831	37,065,831	-	-
Long-term debt including current portion	1,999,204,654	2,069,204,654	13,976,705	2,055,227,949	-
Other current liabilities**	189,624,195	189,624,195	189,624,195	-	-
Noncurrent accrued rent	3,260,616,193	3,260,616,193	-	490,291,306	2,770,324,887

*excluding statutory payables to the government

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

As at December 31, 2016					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P9,471,492,374	P9,471,492,374	P9,471,492,374	P -	P -
Short-term loans payable	5,017,500,000	5,055,557,029	5,055,557,029	-	-
Due to related parties	33,776,623	33,776,623	33,776,623	-	-
Long-term debt including current portion	2,517,096,658	2,601,128,413	134,008,460	2,467,119,953	-
Other current liabilities**	151,368,120	151,368,120	151,368,120	-	-
Noncurrent accrued rent	2,909,884,084	2,909,884,084	-	355,411,981	2,554,472,103

*excluding statutory payables to the government

**excluding promotion fund, loyalty and rewards, gift cheques VAT payable 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:

	2017	2016	2015
Financial assets (cash deposits):			
Cash in banks	P1,595,422,919	P1,457,275,840	P1,577,093,521
Money market placement	5,558,243,069	4,086,422,099	3,933,435,315
	P7,153,665,988	P5,543,697,939	P5,510,528,836

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P10.01 million, P7.76 million, P7.71 million, for the years ended December 31, 2017, 2016 and 2015, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% interest rate and 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 consolidated statements of financial position.

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

The Group is not subject to externally imposed requirements.

28. Financial Instruments

The carrying amounts of Company's financial instruments approximate their fair values as at December 31, 2017 and 2016.

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

Cash and Cash Equivalents, Receivables and Security Deposits

The carrying amounts of cash and cash equivalents 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 2017 and 2016 range from 2.00% to 3.50% and 2.38% to 3.61%, respectively.

Fair Value Hierarchy

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

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

As at December 31, 2017 and 2016, 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 December 31, 2017 and 2016, the Group has not introduced any movement among Levels 1, 2 and 3 classifications.

For
AUDITED FINANCIAL STATEMENTS

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COMPANY INFORMATION

www.puregold.com.ph

(02) 548-7110

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May 2

December 31

CONTACT PERSON INFORMATION	
NAME	_____
PHONE	_____
EMAIL	_____
ADDRESS	_____
CITY	_____
STATE	_____
ZIP	_____

Teodoro A. Polinga

tedpolinga@coscocapital.com.ph

(02) 548-7110

□

CONTACT PERSON's ADDRESS

900 Romualdez, Street, Paco, Manila

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

SUMMARY OF SEC 17-C REPORTS

ANNEX "D"

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

Date of Report	Date Filed with SEC
March 7, 2017	March 10, 2017
In Compliance with the SEC Memorandum Circular No. 20 Series of 2013, we submit the certificate of Attendance of the Directors and Key Officers of Puregold Price Club, Inc. 1. Lucio L. Co – Chairman 2. Ferdinand Vincent P. Co - President 3. Leonardo B. Dayao – Director 4. Edgardo G. Lacson – Independent Director 5. Marilyn V. Pardo – Independent Director 6. Baby Gerlie I. Sacro – Corporate Secretary 7. Candy H. Dacanay-Datuon – Assistant Corporate Secretary & Compliance Officer 8. John Marson T. Hao – VP for Investor Relations 9. Teodoro A. Polinga – Comptroller 10. Anthony G. Sy – President, Kareila Management Corp. 11. Gisela Altura – Comptroller, Kareila Management Corp. 12. Antonio Delos Santos II – President, Daily Commodities and First Lane 13. Joseph U. Sy – President, Goldtempo Company, Inc. 14. Maria Teresa S. Lontos – Internal Auditor 15. Edgar Tacorda – Audit 16. Denise Maria D. Carolino – VP for Administration	
March 8, 2017	March 10, 2017
In Compliance with the SEC Memorandum Circular No. 20 Series of 2013, we submit the certificate of Attendance of the Directors and Key Officers of Puregold Price Club, Inc. 1. Susan P. Co – Vice-Chairman 2. Pamela Justine P. Co - Director	
April 3, 2017	April 7, 2017
Result of Board Meeting dated March 31, 2017 Please see below results of regular meeting of the Board of Directors of Puregold Price Club, Inc. held on March 31, 2017: 1. Approval of Consolidated Financial Statements of the Company for 2016. The Annual Report and Audited Financial Statements of the Company will be released on or before April 15, 2017. 2. List of Nominees for the election of 2017 Board of Directors: Regular Directors: Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co, Leonardo B. Dayao, Pamela Justine P. Co and Jack E. Huang. Independent Directors: Marilyn V. Pardo, Edgardo G. Lacson and Levi B. Labra. The profile of the nominees for the election of 2017 directors will be shown in the Information Statement to be released by the Company on or before April 15, 2017. 3. Date, Time, Venue, Record Date and Agenda for the 2017 Annual Stockholders Meeting are	

as follows:

Date : May 9, 2018
Time : 9:00AM
Venue : Acacia Hotel, Alabang, Muntinlupa City
Record Date : March 31, 2017
Agenda :

1. Proof of Proof of Notice, Existence of Quorum and Call to order.
2. Approval of Minutes of the 2016 Annual Stockholders' Meeting.
3. Annual Report.
4. Election of Regular and Independent Directors.
5. Appointment of External Auditor.
6. Approval of Merger of the Company with Goldtempo Company, Incorporated, Daily Commodities, Inc. and First Lane Super Traders Co., Inc.
7. Other Matters
8. Adjournment

April 3, 2017

April 7, 2017

Puregold Price Club, Inc. will hold a Joint Analyst's Briefing and Investors Call on April 7, 2017 at 3:00 PM (Manila Time).

April 6, 2017

April 7, 2017

List of Stockholders of Puregold Price Club, Inc. as of record date March 31, 2017 in preparation for its Annual Stockholders' Meeting to be held on May 9, 2017, 9:00AM at the Acacia Hotel, Alabang, Muntinlupa City.

April 6, 2017

April 10, 2017

Press Release of Puregold Price Club, Inc. entitled "Puregold net income hits P5.53 billion in 2016 up 10.5%"

Puregold net income hits P 5.53 billion in 2016 up 10.5%

Manila, Philippines – Puregold Price Club, Inc. (PGOLD) has reported a consolidated net income of Php 5.53 billion in 2016 which represents a 10.5% growth compared to Php 5 billion in the same period in 2015. Consolidated Net margins for 2016 is at 4.9%.

"Our 2016 same store sales growth (SSSG) of 6.2% for Puregold stores and 4.4% for S&R stores were driven by continued strong consumer demand even after the elections. For 2017, we will continue to build another 25 new Puregold stores and 2 S&R Membership Warehouse to cater to the growing Filipino consumers." said Puregold President, Mr. Vincent Co.

Puregold consolidated net sales increased by 15.9% to Php 112.6 in 2016 due to the strong consumer demand from its existing Puregold, S&R stores and S&R New York Style Pizza stores as well as the 26 newly opened stores of Puregold and 2 S&R Membership warehouse. Income from Operations grew to Php 8.1 billion in 2016, up by 13.3% compared to Php 7.15 billion during the same period last year.

As of end 2016, Puregold group has a total of 329 stores nationwide. These include 277 Puregold stores, 12 S&R membership shopping warehouse, and 23 S&R New York Style QSR, 9 NE Bodega Supermarkets and 8 Budgetlane Supermarkets.

April 7, 2017

April 19, 2017

Presentation for Investor's Briefing Teleconference to be held on April 7, 2017.

April 26, 2017

April 26, 2017

Postponement of Annual Stockholders Meeting of Puregold Price Club, Inc. which was set on May 9, 2017 has been postponed to May 30, 2017, 9:00am, at the Acacia Hotel, Alabang, Muntinlupa City. This is to enable the Company to finalize additional matters that will be submitted for the

approval of the stockholders.

Details of the meeting are as follows:

Date : May 30, 2017
Time : 9:00 AM
Venue : Ballroom 1 and 2, Acacia Hotel, Alabang, Muntinlupa City
Record date : March 31, 2017

May 8, 2017

May 8, 2017

Puregold Price Club, Inc. will hold an investor briefing teleconference for its 1Q 2017 Results on May 12, 2017 (Friday) at 3:00 PM Manila Time.

May 8, 2017

May 8, 2017

Result of Board Meeting dated May 5, 2017, the Board of Directors of Puregold Price Club, Inc. has approved the Consolidated Financial Performance of the Company for the 1st Quarter of 2017. The Quarterly Report will be released on or before May 12, 2017.

May 10, 2017

May 10, 2017

Approval of the Board dated May 10, 2017, the nomination of Mr. Jaime S. Dela Rosa as Independent Director replacing earlier nomination of Mr. Levi Labra.

The brief profile of Mr. Dela Rosa will be shown in the Information Statement to be released by the Company.

May 12, 2017

May 12, 2017

Press Release

Puregold net income hits P 1.28 billion in 1Q 2017 up 10.5%

Manila, Philippines – Puregold Price Club, Inc. (PGOLD) has reported a consolidated net income of Php 1.28 billion in the first quarter of 2017 which represents a 10.5% growth compared to Php 1.15 billion in the same period in 2016. Consolidated Net margins for the period is at 4.6%.

“Our First Quarter 2017 same store sales growth (SSSG) of 4.5% for Puregold stores and 13% for S&R stores were driven by continued strong consumer demand and trust in our stores. We will continue to provide the best value and customer shopping experience to both Tindahan ni Aling Puring (TNAP) customers through our sari-sari store convention this May 24 to 28 at the World Trade Center in Pasay City as well as our Puregold Perks card consumers with exclusive promotions, freebies and discounts.” said Puregold President, Mr. Vincent Co.

Puregold consolidated net sales increased by 11.2% to Php 27.53 in the first quarter of 2017 due to the strong consumer demand from its existing Puregold, S&R stores and S&R New York Style Pizza stores as well as the 26 newly opened stores of Puregold and 2 S&R Membership warehouse in 2016. Income from Operations grew to Php 1.85 billion in the first quarter of 2017, up by 11.1% compared to Php 1.67 billion during the same period last year.

As of end March 2017, Puregold group has a total of 336 stores nationwide. These include 283 Puregold stores, 12 S&R membership shopping warehouse, and 24 S&R New York Style QSR, 9 NE Bodega Supermarkets and 8 Budgetlane Supermarkets.

May 12, 2017

May 12, 2017

Company Presentation for Investor's Briefing Teleconference to be held on May 12, 2017.

May 31, 2017

May 31, 2017

Result of Annual Stockholders Meeting Organizational Meeting dated May 30, 2017

On May 30, 2017 meeting of Puregold Price Club, Inc. held at the Acacia Hotel, Alabang, Muntinlupa City, stockholders holding a total of 2,335,631,349 common shares or 84.46% of the total outstanding shares of the Company approved the following items in the agenda:

1. Call to order
2. Approval of the Minutes of the previous meeting and ratification of all acts of the management since the last stockholders meeting
3. Annual Report
4. Election of Lucio L. Co
5. Election of Susan P. Co
6. Election of Ferdinand Vincent P. Co
7. Election of Pamela Justine P. Co
8. Election of Jack E. Huang
9. Election of Marilyn V. Pardo as Independent Director
10. Election of Edgardo G. Lacson as Independent Director
11. Election of Jaime S. Dela Rosa as Independent Director
12. Re-appointment of R.G. Manabat & Company as External Auditor for the year 2017
13. Approval of the merger of Goldtempo Company, Incorporated, Daily Commodities, Inc. and First Lane Supertraders Co, Inc. with and unto Puregold Price Club, Inc.
14. Other Matters
15. Adjournment

Result of Organizational Meeting

The following officers were elected and appointed during the organizational meeting of the Board of Directors:

Chairman	Lucio L. Co
Vice-Chairman	Susan P. Co
President	Ferdinand Vincent P. Co
Corporate Secretary	Baby Gerlie I. Sacro
Compliance Officer	Atty. Candy H. Dacanay-Datuon
Internal Audit & Risk Officer	Maria Teresa S. Lontoc
Comptroller	Teodoro A. Polinga
Lead Independent Director	Edgardo G. Lacson
Board Consultant	Levi B. Labra

The Board approved the following committees:

1. Audit Committee – it will function as Audit Committee and assume the functions of Risk Oversight Committee and Related Party Transactions Committee.

Chairman – Edgardo G. Lacson (independent)
 Members – Jaime S. Dela Rosa (independent)
 Leonardo B. Dayao (non-executive)
 Susan P. Co

Ex-Officio Officers: Teodoro A. Polinga (Comptroller) and Maria Teresa S. Lontoc (Internal Auditor)

2. Corporate Governance Committee – It will function as Corporate Governance Committee and assume the functions of the Nominations Committee and Compensation Committee.

Chairman – Marilyn V. Pardo (independent)
 Members – Jaime S. Dela Rosa (independent)
 Edgardo G. Lacson (independent)
 Leonardo B. Dayao
 Lucio L. Co

Ex-Officio Officers: Candy H. Dacanay-Datuon (Compliance Officer)

3. Executive Committee – it will act on specific matters as may be delegated to it by the by laws or the board.

Chairman – Lucio L. Co
 Members – Susan P. Co

Ferdinand Vincent P. Co
Pamela Justine P. Co
Leonardo B. Dayao

Appointment of Board Consultant

Mr. Levi B. Labra, 57, Filipino, was appointed Board Consultant of Puregold. Mr. Labra was the former Director for Customer Business Development for Asia Pacific Region of Procter and Gamble Distributions, Inc. He was with P&G for 35 years and involved himself in sales management, distributor operations, logistics, forecasting, among others. He is a graduate of University of San Carlos with a Bachelor of Science in Business Administration.

Approval of the Manual of Corporate Governance

The Board, upon motion duly seconded, issued the following resolution:

"Resolved, that the Manual on Corporate Governance of Puregold Price Club, Inc. dated May 26, 2017 signed by the Chairman and Compliance Officer is hereby approved."

August 7, 2017

August 8, 2017

Notice of Investor Briefing First Half 2017 Result

Puregold Price Club, Inc. will hold an investor briefing teleconference for its First Half 2017 Results on August 15, 2017 (Tuesday) at 3:00PM, Manila Time.

August 15, 2017

August 16, 2017

Company Presentation for Investor's Briefing Teleconference to be held on August 15, 2017, 3:00PM.

August 15, 2017

August 16, 2017

Press Release

Puregold net income hits P 2.49 billion in 1H 2017 up 9.8%

Manila, Philippines – Puregold Price Club, Inc. (PGOLD) has reported a consolidated net income of Php 2.49 billion in the first half of 2017 which represents a 9.8% growth compared to Php 2.27 billion in the same period in 2016. Consolidated Net margins for the period is at 4.4%.

"We continue to see growth in both our Puregold and S&R businesses even without the benefits of election year. Our First half 2017 same store sales growth (SSSG) of 4% for Puregold stores and 10% for S&R stores were driven by continued strong consumer demand and trust in our stores and the sustained economic growth of the country," said Puregold President, Mr. Vincent Co.

Puregold consolidated net sales increased by 10.8% to Php 56.6 billion in the first half of 2017 due to the strong consumer demand from its existing Puregold, S&R stores and S&R New York Style Pizza stores as well as the 26 newly opened stores of Puregold and 2 S&R Membership warehouse in 2016. Income from Operations grew to Php 3.6 billion in the first half of 2017, up by 10.2% compared to Php 3.27 billion during the same period last year.

As of end June 2017, Puregold group has a total of 345 stores nationwide. These include 288 Puregold stores, 12 S&R membership shopping warehouse, and 28 S&R New York Style QSR, 9 NE Bodega Supermarkets and 8 Budgetlane Supermarkets. We reiterate our commitment to open 25 new Puregold stores and 2 new S&R warehouse by end 2017. Furthermore, S&R is currently developing 2 new S&R warehouse for opening in 2018.

August 15, 2017

August 16, 2017

Result of Board Meeting dated August 14, 2017

On August 14, 2017, the Board of Directors of Puregold Price Club, Inc. has approved the Consolidated Financial Performance of the Company for the 2nd Quarter of 2017.

August 29, 2017	September 4, 2017
Press Release Puregold Acquires B&W Stores in Roxas City Puregold Price Club, Inc. (Puregold) acquires five (5) B&W stores in Roxas City, Capiz. With this acquisition, Puregold will have 6 stores in the Panay province and 11 stores in the Negros province for a total of 307 stores nationwide. Puregold expects the purchase to bolster its store presence in the Western Visayas Region. In less than two (2) decades, Puregold has evolved from one hypermarket into developing an omni-market-presence – to better reach the Filipino consumers anytime, anywhere. It continues to stay true its vision to be the most customer-oriented hypermarket offering a one-stop shopping convenience and best value to its customers. Puregold now works with over 1,500 suppliers and trade partners, and serving over 300,000 sari-sari stores and small businesses as well as over 1 million Puregold Perks members.	
November 3, 2017	November 6, 2017
Notice of Investor Briefing 9M 2017 Results Puregold Price Club, Inc. will hold an investor briefing teleconference for its 9M 2017 Results on November 17, 2017 (Friday) at 3:00PM, Manila Time.	
November 16, 2017	November 16, 2017
Result of Board Meeting dated November 10, 2017 On November 10, 2017, the Board of Directors of Puregold Price Club, Inc. has approved the Consolidated Financial Performance of the Company for the 3rd Quarter of 2017.	
November 16, 2017	November 16, 2017
Press Release Puregold net income hits P3.9 billion in 9M up 7% Manila, Philippines – Puregold Price Club, Inc. (PGOLD) has reported a consolidated net income of Php3.9 billion in the first nine months of 2017 which represents a 7% growth compared to Php3.64 billion in the same period in 2016. Consolidated Net margins for the period is at 4.5%. “Our retail businesses continue to deliver steady growth and we remain optimistic that the positive momentum will be sustained for the remaining month of 2017. We also registered better than expected same store sales growth (SSSG) of 4.5% for Puregold stores and 10.7% for S&R stores in the first nine months of 2017 which were driven by the strong consumer demand and the sustained economic growth of the country.” said Puregold President, Mr. Vincent Co. Puregold consolidated net sales increased by 11.2% to Php87.6 billion in the first nine months of 2017 due to the continued strong consumer demand from its existing Puregold, S&R Membership warehouse clubs and S&R New York Style Pizza stores. Income from Operations grew to Php5.65 billion in the first nine months of 2017, up by 7.4% compared to Php5.26 billion during the same period last year. As of end September 2017, Puregold group has a total of 352 stores nationwide. These includes 291 Puregold stores, 13 S&R membership shopping warehouse, and 31 S&R New York Style QSR, 9 NE Bodega Supermarkets and 8 Budgetlane Supermarkets. We reiterate our commitment to open 25 new Puregold stores and 2 new S&R warehouse by end 2017. Furthermore, S&R is currently developing 2 new S&R warehouse for opening in 2018.	
November 17, 2017	November 20, 2017

Company Presentation for Investor's Briefing Teleconference to be held on November 17, 2017, 3:00PM.

December 18, 2017

December 18, 2017

Result of the Board of Directors dated December 15, 2017

Listed below are the items approved by the Board of Directors of Puregold Price Club, Inc. in a meeting held on December 15, 2017:

1. Audit Plan
2. Renewal of buy back program
3. Declaration of Cash Dividend :

Regular Cash Dividend: P0.20 per share

Special Cash Dividend: P0.20 per share

Record date: January 2, 2018

Payment date: January 26, 2018



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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Puregold Price Club, Inc. and Subsidiaries
900 Romualdez Street
Paco, Manila

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Puregold Price Club, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2017, 2016 and 2015, included in this Form 17-A, and have issued our report thereon dated April 12, 2018.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management.

- Supplementary Schedules of Annex 68-E
- Map of Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Reconciliation of Retained Earnings Available for Dividend Declaration

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and not required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. Manabat & Co.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-31-2016

Issued October 18, 2016; valid until October 17, 2019

PTR No. 6615157MD

Issued January 3, 2018 at Makati City

April 12, 2018

Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SEC Supplementary Schedules and Other Documents
December 31, 2017

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PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule A
FINANCIAL ASSETS
December 31, 2017

Name of Issuing Entity / Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amounts Shown in the Consolidated Statements of Financial Position	Value Based on Market Quotations at Dec. 31, 2017	Income (loss) Received
Cash and cash equivalents	P -	P8,065,646,235	P8,065,646,235	P21,658,740*
Receivables - net	-	4,569,341,716	4,569,341,716	-
Investment in trading securities	1,002,192	46,887,876	46,887,876	11,778,850**
** Available-for-sale financial assets	726,166	7,879,160	7,879,160	1,856,196***
Security deposits	-	1,489,124,969	1,489,124,969	824,8318
	<u>1,728,358</u>	<u>P14,178,879,956</u>	<u>P14,178,879,956</u>	<u>P35,293,786</u>

Notes:

- * This represents interest income earned, net of final tax.
- ** This represents unrealized gain on valuation of investment.
- *** This represents dividend income.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A's INVESTMENT IN TRADING SECURITIES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2017

Name of Issuing Entity	Number of shares	Value Based on Market Quotation at End of Reporting Period
Investment in Trading Securities (Fair Value Through Profit or Loss)		
RCBC	124,500	P 5,507,325
PNB	20,000	1,134,000
Natl. Reinsurance Co. of the Phil.	200,000	192,000
Aboitiz Power	280,000	11,634,000
GMA PDR	50,000	284,000
Metrobank	83,191	8,435,567
Banco de Oro	115,001	18,860,164
Phillex Mining Corp.	100,000	606,000
Phillex Petroleum Corporation	29,500	234,820
	1,002,192	P46,8878,876

Available-for-sale		
Puregold Price Club, Inc.		
Manila Electric Company	726,166	P7,261,660
Tower Club Shares	-	617,500
	726,166	P7,879,160

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule C

**AMOUNTS RECEIVABLE FROM RELATED PARTIES OF PUREGOLD PRICE CLUB, INC. (Parent Company) WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Name of related parties	Balance at beginning of year	Balance at end of year
Kareila Management Corporation	P478,265,913	P2,618,489
PPCI Subic, Inc.	200,682,150	1,019,029
First Lane Super Traders Co., Inc.	7,082,825	1,170,097
Goldtempo Company Incorporated	1,613,476	3,471,012
Daily Commodities, Inc.	1,434,658	407,068
	P689,079,022	P8,685,695

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule D
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2017

Description	Beginning balance	Additions	Amortization	Ending balance
Goodwill	P14,715,769,906	P186,653,415	P -	P14,902,423,321
Trademark	3,709,660,547	-	-	3,709,660,547
Customer relationships	889,452,981	-	-	889,452,981
Computer software and licenses-net	183,285,588	29,475,602	(35,551,095)	177,210,095
Leasehold rights	62,417,046	-	(3,767,750)	58,649,296
Total	P19,560,586,068	P216,129,017	(P39,318,845)	P19,737,396,240

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule E
LONG-TERM DEBT
DECEMBER 31, 2017

Agent / Lender	Type	Total Outstanding Balance	Amount Shown as Current	Amount Shown as Noncurrent
Metropolitan Bank & Trust Company	Fixed rate note @ 3.5%	P1,999,204,654	P1,999,204,654	P -
Metropolitan Bank & Trust Company	Fixed rate note @ 3.5%	400,000,000	400,000,000	-
Total		P2,399,204,654	P2,399,204,654	P -

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule H
CAPITAL STOCK
DECEMBER 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under "Capital Stock" caption in the consolidated statements of financial position	Number of treasury common shares	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares outstanding	3,000,000,000	2,785,362,877	(18,956,471)	1,410,867,188	452,405,866	903,133,352

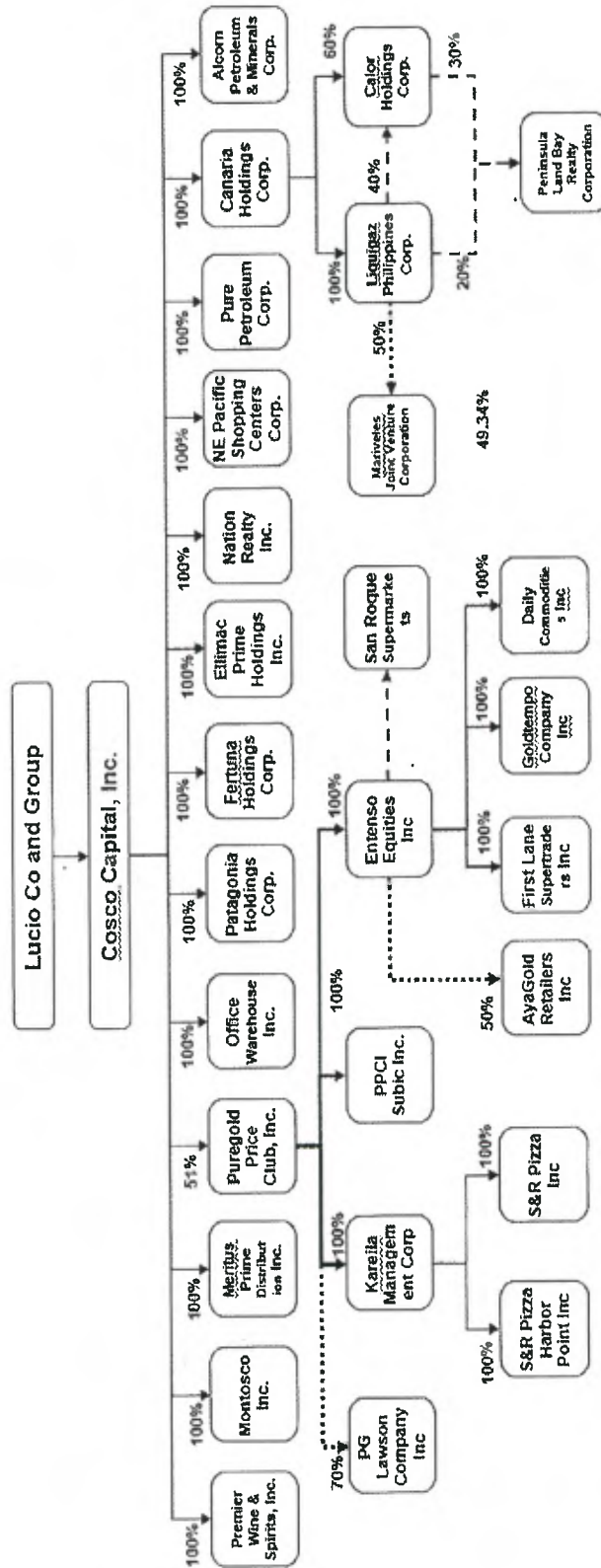
- a. The Parent Company has 1,450,000,000 shares issued and outstanding prior to Initial Public Offering.
- b. On June 7, 2011, the BOD approved the issuance of 50,000,000 shares. These were subscribed and paid in full on June 10, 2011.
- c. The initial public offering of the Parent Company's shares 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.
- d. 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 in 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.
- e. 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.
- f. 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 December 31, 2014, the Parent Company already reacquired 100,000 shares worth P3.90 million and was classified in the Parent Company's book as treasury shares.
- g. As at December 31, 2016 and 2015, the Parent Company already reacquired P37.75 million worth of shares and was classified in the Parent Company's book as treasury shares.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE H's LIST OF STOCKHOLDERS

Stockholders	Related Parties	Directors, Officers and Employees	Others
Cosco Capital Inc.	P1,410,867,188	P -	P -
PCD Nominee Corp. (Non Filipino)	-	-	629,868,068
PCD Nominee Corp. (Filipino)	-	-	273,196,814
Lucio L. Co	-	210,849,122	-
Susan P. Co	-	178,242,585	-
Ferdinand Vincent P. Co	-	26,709,460	-
Pamela Justine P.Co	-	26,709,460	-
Camille Clarisse P. Co	-	8,155,288	-
Katrina Marie P. Co	-	1,000,026	-
Leonardo B. Dayao/Marcosa B. Dayao	-	739,925	-
Edwin U Lim	-	-	25,000
Gurpreet Singh Grewal	-	-	11,700
Terence Rey H. Lim/ Emelia S. Cudiamat	-	-	10,000
Alvin S. Ison &/Or Maria Lea S. Ison	-	-	6,800
Mary Rose M. Ong	-	-	3,000
David L. Kho	-	-	2,000
Henry C. Ong / Enrico Luis M. Ong	-	-	2,000
Pacifico B. Tacub	-	-	1,600
Antonio B. Ramos	-	-	1,000
Others	-	-	5,370

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule I
MAP OF CONGLOMERATE
DECEMBER 31, 2017



Subsidiary Investment in Associate Investment in Joint Venture

- On February 3, 2015, the Group through Entenso acquired 100% 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.
- 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.
- A wholly-owned subsidiary of KMC incorporated on May 25, 2015.
- A wholly-owned subsidiary of KMC incorporated on June 10, 2016.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule J

List of Philippine Financial Reporting Standards

December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal		✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments (2014)		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of January 1, 2017		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		✓	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)		✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programs	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				✓
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position		✓	
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	FRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts		✓	
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building		✓	
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures		✓	
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial Instruments under PFRS 7, Financial Instruments: Disclosures		✓	
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees		✓	
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans		✓	
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test		✓	
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied		✓	
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down		✓	

Legend:

Adopted - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

Not Adopted - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

Not Applicable - means the standard or interpretation is not relevant at all to the operations of the entity.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule K
FINANCIAL SOUNDNESS INDICATOR

Indicator	As of		Formula
	December 31, 2017	December 31, 2016	
Current Ratio	1.62x	1.73x	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Cash Ratio	0.41x	0.40x	$\frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$
Debt-to-Equity Ratio	0.49x	0.51x	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Debt-to-Asset Ratio	0.33x	0.34x	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Asset-to-Equity Ratio	1.49x	1.51x	$\frac{\text{Total Asset}}{\text{Total Equity}}$
Interest Rate Coverage Ratio	65.64x	79.03x	$\frac{\text{Earnings before interest and taxes}}{\text{Interest Expense}}$
Net Income Margin	4.73%	4.91%	$\frac{\text{Net Income}}{\text{Net Revenues}}$
Investment Ratio	0.01x	0.01x	$\frac{\text{Total Investment and Advances}}{\text{Total Asset}}$
Return on Assets	8.54%	8.90%	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Earnings per Share	P2.1	P2.00	$\frac{\text{Net Income}}{\text{Weighted Average Number of Ordinary Shares}}$

PUREGOLD PRICE CLUB, INC.
900 Romualdez Street, Paco Manila
Schedule L

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

*(Figures based on functional
currency audited financial
statements as at and
for the year ended
December 31, 2017)*

Unappropriated retained earnings, beginning	P13,596,311,319
Adjustments:	
Adjustment in previous year's reconciliation	123,529,529
Unappropriated retained earnings, as adjusted, beginning	13,719,840,848
Net income based on the face of audited financial statements	4,186,975,055
Less: Non-actual/unrealized income, net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	-
Fair value adjustment (M2M gains)	11,778,850
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred tax benefit	117,478,994
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actual/realized	4,057,717,211
Add (Less):	
Dividend declarations during the year	(1,106,152,562)
Appropriations of Retained Earnings during the year	-
Release of appropriations during the year	-
Effects of prior period adjustments	-
Treasury shares	-
Unappropriated retained earnings, as adjusted, ending	P16,671,405,497