



April 12, 2016

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

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

Philippine Stock Exchange
Ayala Avenue, Makati City

Attention: **Ms. Janet A. Encarnacion**
Head-Disclosure Department

Subject: **PUREGOLD PRICE CLUB, INC. (SEC 17-A) FOR THE YEAR 2015**

Gentlemen:

Submitting herewith the Company's Annual Report (SEC 17-A) as of December 2015 with attachments as follows:

- A. Management Discussion and Analysis
- B. Consolidated Audited Financial Statements
- C. Supplementary Schedules
- D. Updates on Annual Corporate Governance Report

Thank you.

Very truly yours,


ATTY. CANDY H. DACANAY-DATUON
Assistant Corporate Secretary

COVER SHEET

A 1 9 9 8 1 3 7 5 4

SEC Registration Number

PUREGOLD PRICE CLUB, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO, MANILA

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

CANDY DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

1 2 3 1

Month

Day

SEC FORM 17-A

(Form Type)

0 5 1 0

Month

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17

OF THE SECURITIES REGULATION CODE AND SECTION 141

OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2015**

2. SEC Identification Number **A199813754**

3. BIR Tax Identification No. **201-277-095**

4. Exact name of issuer as specified in its charter

PUREGOLD PRICE CLUB, INC.

5.

6. (SEC Use Only)
Industry Classification Code:

Province, Country or other jurisdiction of
incorporation or organization

7. **2/F Tabacalera Building, No. 900 Romualdez St., Paco, Manila** **1007**

Address of principal office

Postal Code

8. **(632) 882-8801-04 / (632) 523-3055**
Issuer's telephone number, including area code

9. **N/A**

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

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

Title of Each Class

Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding
2,765,381,406

Common Shares

11. Are any or all of these securities listed on a Stock Exchange.
Yes ☐ No ☐

If yes, state the name of such stock exchange and the classes of securities listed therein:
PHILIPPINE STOCK EXCHANGE - COMMON SHARE

12. Check whether the issuer:

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

Yes ☐ No ☐

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

Yes [/]

No []

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

DOCUMENTS INCORPORATED BY REFERENCE

13. If any of the following documents are incorporated by reference.

ANNEX "A" - MANAGEMENT DISCUSSION AND ANALYSIS AND
PLAN OF OPERATION

ANNEX "B" - CONSOLIDATED AUDITED FINANCIAL STATEMENTS

ANNEX "C" - SUPPLEMENTARY SCHEDULES

ANNEX "D" - ANNUAL CORPORATE GOVERNANCE REPORT

BUSINESS AND GENERAL INFORMATION

ITEM 1 BUSINESS

(1) Business Development

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

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

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

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

In 2014, Puregold opened 28 stores, 1 S&R store and 4 S&R New York Style Pizza/quick service restaurants (QSR). It also partnered with Lawson, Inc. and Lawson Asia Pacific Pte Ltd. under a joint venture company called PG Lawson, Inc. PG Lawson plans to build and operate a chain of convenient stores all over the Philippines targetting a total of 500 stores by 2020. The parties’ investment share is 70% Puregold and 30% Lawson.

In 2015, Puregold opened 15 hypermarkets, 11 supermarkets, 1 S&R Warehouse and 10 QSRs.

By the end of 2015, Puregold is operating 135 hypermarkets, 93 supermarkets, 28 extra 10 S&R warehouse clubs and 16 S&R-QSRs for a total of 282 stores located in the following areas:

	Puregold	S&R	S&R New York Style Pizza	Total
Metro Manila	104	5	9	120
North Luzon	64	1	3	68
South Luzon	74	2	2	77
Visayas	6	1	1	8
Mindanao	7	1	1	9
Total	255	10	16	282

Since the incorporation of Puregold, it has never been subjected to nor has been involved in any bankruptcy, receivership or similar proceedings.

(2) Business of Issuer

(a) Description of the Registrant

(i) **Principal Products and Services.** The Company conducts its operations through the following retail formats and store brands, each of which is strategically located to target distinct price points and demographics:

- **Hypermarkets.** The Company conducts its operations primarily through a hypermarket format known as "Puregold Price Club". These hypermarkets are mostly located in major commercial centers and near transportation hubs. Puregold Price Club offers a broad variety of food and non-food products, and generally caters to both retail customers and resellers such as members of the Company's pioneering *Tindahan ni AlingPuring* ("TNAP") loyalty/ marketing program. The average net selling space of the Company's hypermarket is 2,000 to 2,500 square meters. Each hypermarket offers more than 25,000 stock-keeping units (SKU).
- **Supermarkets.** The Company has a supermarket chain known as "Puregold Junior", operated by its wholly-owned subsidiary, Puregold Junior Supermarket, Inc. In 2012, Puregold Junior Supermarket, Inc. merged with the Company. The Company's supermarkets are mostly located in residential areas and offer a higher proportion of food to non-food products vis-a-vis the Company's hypermarkets. The supermarkets have a store layout similar to the Company's hypermarkets but on a smaller scale. Puregold Junior stores generally cater to retail consumers. The average net selling space of the Puregold Junior supermarkets is around 800 square meters. SKUs of product assortment ranges from 4,000 to 5,000.
- **Discounters.** "Puregold Extra" is the Company's small store format which offers a more limited number of goods, comprising the Company's top-selling SKUs ranging from 3,000 to 5,000. The average net selling space of these stores is around 400 square meters.
- **S & R Membership Shopping** – S&R Membership Shopping started operations with 4 locations in Metro Manila in 2006. It opened its Cebu warehouse in November 2010, Pampanga warehouse in November 2011, Davao warehouse in May 2013, Mandaluyong warehouse in November 2013 and Imus warehouse in December 2014. In 2015, it opened 1 warehouse in Nuvali, Sta. Rosa, Laguna and 10 QSR outlets. It is the only retailer in the Philippines with a membership shopping concept. S&R has adopted a warehouse club concept where most of the products offered are in club packs. Majority of the merchandise are imported brand names mostly sourced from the United States. Currently, S&R is the biggest reseller of imported quality products at very competitive prices.
- **Entenso Equities, Inc.** is wholly owned subsidiary of Puregold holding 5 companies under its umbrella operating the following retail formats and brands:
 - (1) *NE Daily Commodities and First Lane* acquired in February 2015 and operating 9 NE bodega stores located in Nueva Ecija, Baler, Quezon and Isabela Province;
 - (2) *PG Lawson, Inc.* with 16 opened stores all located in Metro Manila;
 - (3) *Ayagold Retailers, Inc.*, a 50/50 joint venture with Ayala Land. It opened mall-based supermarket in July 2015 called "Merkado" located at UP Town Center, Quezon City;
 - (4) *Gold Tempo Company*, acquired in August 2015 with 8 Budgetlane supermarkets located in Eastern GMA, Laguna and Batangas; and
 - (5) *San Roque Supermarkets* which operates 11 supermarkets.
- **PPCI Subic, Inc.** is operating one Puregold branch in Subic Bay, Olongapo City. It has 4,917.70 square meters in selling area.

The Company focuses on two customer segments: retail consumers and resellers.

S&R, on the other hand, serves the AB and aspirational C market segments whose monthly income is over P80,000. The acquisition of S&R enabled the Company to widen its market spectrum comprising practically all the socio-economic brackets.

For resellers, the Company has TNAP loyalty/marketing program. It started in 2001 and as of December 31, 2015, the Company served over 350,000 *sari-sari* stores and small to medium-size businesses, and engaged over 1,500 suppliers and trade partners.

For retail consumers, the Company has Perks program. Among the many other programs and promotions, Puregold returns favor to the loyal customers through its "Perks Card". It is a loyalty program open to all Puregold shoppers who are 18 years old and above. It is specifically designed for customers who do not own *sari-sari* stores or related businesses. Points earned have an equivalent peso value which can be converted to a rebate or treat. To further enhance customer experience, Puregold has even tapped its affiliates into doing partnerships so customer can enjoy more benefits. Furthermore, with close 1.1 Million members as of March 2016 Puregold tapped all multi-national suppliers to create exclusive programs for Perks card holders for the entire year.

As of December 2015, S&R has a total active members of over 590,000. To effectively serve its customer base, the Company maintains strong relationship with suppliers and trade partners, working closely with them to satisfy customers with reliable on-time deliveries.

Foreign Sales. The Company has no branches or stores outside the Philippines.

(ii) Distribution Methods. For Puregold, replenishment and distribution are undertaken as follows:

Direct-to-store delivery - A substantial portion of the Company's inventory and other supplies and materials are delivered directly by suppliers to the Company's stores. Considering the bulk of business, the Company is able to order truck load. Orders and merchandise deliveries are received just in time with a 3-day leadtime from PO date.

Cross-dock facilities - About 6% of the suppliers who are unable to directly deliver to the Company's stores deliver their products to the Company's 2 out-sourced cross-dock facilities for onward distribution to Puregold stores.

Store-to-store transfer - All of the Company's stores have a stockroom on premises with warehousing capabilities for inventory. However, there are hypermarkets with large warehouses which can accommodate merchandise intended for nearby small-format stores. As needed, goods are transferred from a large store to a small store.

For S & R - S&R sends out buyers all over the world to source for its best products. Around 60-65% of the merchandise that S&R sells are bought and imported directly by S&R. It currently operates its own 5 distribution centers.

- (i) **New Product and Services.** The Company has been in partnership with Globe - G Cash for the implementation of its "Pure Padala" program where Filipino overseas workers can send money as direct payment for groceries which their families can buy from any Puregold branch. Soon, this program will be expanded into a full service money remittance.
- (ii) **Competition.** SM Supermarkets, Savemore, SM Hypermarkets, Shopwise/Rustan's, Robinsons, and Walter-Mart are among the top and dominant market participants in the retail sector among the hypermarket, supermarket, neighborhood store, and cash & carry formats. Rustan's Supercenter forged partnership with Dairy Farm, Wellcome Supermarket of Hongkong. Store Specialists, Inc., also part of the Rustan's Group of Companies, in partnership with Ayala got the franchise to operate Family Mart of Japan in the Philippines.
- (iii) **Suppliers.** With over 1,500 regular suppliers, the Company's supplier base is diversified between local suppliers such as San Miguel Corporation, Universal Robina Corporation,

Liwayway Marketing Corporation and multinational corporations such as Nestle, Unilever and Procter & Gamble. The Company selects its suppliers using a number of criteria, including product assortment and quality, market share of the Company in a particular supplier's location, brand reputation, supplier's capacity, Company business plans and budgets, logistic possibilities, and compliance with the Company's commercial principles.

S&R sources majority of its merchandise from global vendors who have been supplying to membership clubs worldwide for an extended period of time. Most of its products are sourced from the United States.

- (iv) **Dependence upon single or few supplier or customer.** The Company believes that its business as a whole is not dependent on any single supplier. The Company's three largest food suppliers, Nestlé Philippines, Universal Robina Corporation and Monde Nissin. The Company's three largest non-food suppliers, Procter & Gamble, Unilever Philippines, and Colgate-Palmolive.

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

Likewise S&R is not dependent on a single or few customers but to the buying public in general.

The Company believes that its stores can address the needs of all of its customers through its wide product range, large selection of food as well as non-food products and increasing share of private label products. The Company divides its customers into several categories:

- *Retail consumers ("C" and "D" class):* These consumers have an average income of ₱12,000 to ₱80,000. A typical ticket for retail consumers ranges from ₱500 to ₱5,000 per shopping trip at a frequency of two to four times per month.
- *Resellers:* Consisting of resellers, small to medium size *sari-sari* stores, as well as canteens, restaurant, bakeries, convenience and drug stores. As December 31, 2015, there were over 350,000 business owners registered with the Company.
- *Retail Consumers ("A" and "B" class):* For S&R, it is targeting that 1% population of the Philippines which comprise the A and B market segment. This segment has an average income of over 80,000 per month.

- (v) **Transactions with Related Parties.** The Group, in the ordinary course of its business, engages in a variety of arms-length transactions with related parties. Certain related party transactions are described below:

The 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.

The Parent Company is a party to a trademark Licensing Agreement (the "Licensing Agreement") with Mr. Lucio Co, under which Mr. Co licenses the use of tradenames and trademarks related to the "Puregold" brand and other Company affiliates, including Puregold Finance, Inc., Puregold Duty Free-Subic, Inc., Puregold Realty Leasing and Management Inc., Puregold Duty Free, Inc. and Puregold Properties, Inc. (the "Licensed Affiliates"). The Parent

Company pays Mr. Co royalty fees of 1/20 of 1% of the Company's net sales for the use of tradenames and trademarks. This Licensing Agreement is for a period of 30 years and is exclusive. Consequently, during the term of the Licensing Agreement, Mr. Co cannot license the tradenames and trademarks under this agreement except to Puregold Junior and the Licensed Affiliates. None of the tradenames and trademarks can also be transferred by Mr. Co.

In 2007, Kareila entered into a concession contract with PSMT Phils., Inc., a company owned by Mr. Co, for the 4 locations of S&R in Manila. Instead of paying rental to PSMT, Kareila pays a concession fee of 15% of revenue. The contract was for 5 years and renewable thereafter. In March 2012, concession fee was reduced to 4%. The concession fee covered the cost of lease rental, utilities, manpower, security services, maintenance costs and marketing expenses.

The Group has an agreement with Puregold Finance, Inc., pursuant to which the employees are able to borrow money from Puregold Finance, Inc., and loan repayments are made by the Group through salary deductions, which are withheld from employees to repay Puregold Finance, Inc. The Group is not a guarantor to any of these loans.

Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties. The terms under which the Group binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Group uses the terms and provisions it has in place for similar contracts with unrelated third parties as a benchmark for its agreements with related parties.

For more detailed information please refer to the related party transactions as disclosed in the Audited Financial Statements for the Year 2015 attached as Annex "B".

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

TRADE NAMES		TRADE MARKS	
Puregold	Puregold Jr.	Aling Puring	Puregold Junior
Puregold Price Club	Puregold Bulilit	Puregold	Puregold Price Club
Puregold Choice	Puregold Suki	Puregold Exclusives	Puregold Choice
Puregold Extra	Barangay Puregold	Puregold Express	Barangay Puregold
Puregold Jackpot	Puregold Exclusives	Puregold Jackpot	Puregold Bulilit
Puregold Junior		Puregold Jr.	Puregold Suki

- (i) **Government approvals.** Puregold and its subsidiary have obtained all permits, licenses and approvals from national and local government units and other government agencies necessary to construct and/or lease supermarket buildings and operate the same.

- (ii) **Effect of existing governmental regulations.** Puregold and its subsidiary have no knowledge of recent or probable government regulation that may have material adverse effect on the business operation or financial position of the Company and its subsidiaries.
- (iii) **Cost and effect of compliance with environmental laws.** The Company estimates its annual cost for maintaining and renewing the ECCs and other environmental permits for all its existing stores as to be about ₱5 million.
- (iv) **Employees.** As of 31 December 2015, the Company has approximately 5,199 directly hired employees. The following table sets out certain details of the Company's employees by location, function and status:

Department	
Store Operations	4,220
Head Office	979
Total	5,199
Rank	
Executive	6
Senior Manager	24
Manager	208
Officer	389
Supervisory	1,676
Rank & File	2,896
Total	5,199
Employment Status	
Regular	3,605
Probationary	645
Contractual	949
Total	5,199

The Company anticipates that it will employ approximately 600 employees within the next 12 months for the planned 25 store openings in 2016, and the Company does not expect to encounter any difficulty in sourcing the manpower for these additional positions. The Company believes that its relations with its employees are generally good. The Company has experienced no material work stoppages or strikes in the past five years. The Company currently has no labor union nor any collective bargaining agreement with any group of employees.

- (v) **Major Risks.** The Company considers the following major risks that may have potential adverse effect on its financial condition and operation, as follows:

The Company may experience difficulty in implementing its growth strategy. The Company's growth is dependent on its strategy to continue to build stores and successfully operate stores in new locations in the Philippines. Successful implementation of this strategy depends upon, among other things:

- favorable economic conditions and regulatory environment;
- the identification and acquisition of suitable sites for store locations;
- its ability to purchase or lease appropriate real estate for store locations;
- its ability to open new stores in a timely manner;
- its ability to continue to attract customers to its stores;
- the hiring, training and retention of skilled store personnel;
- the identification and relocation of experienced store management personnel;
- the effective management of inventory to meet the needs of its stores on a timely basis;

- the availability of sufficient levels of cash flow or necessary financing to support the Company's expansion; and
- the ability to successfully address competitive merchandising, distribution and other challenges encountered in connection with expansion into new geographic areas and markets. Failure by the Company to successfully implement its growth strategy due to any of the reasons identified above or otherwise may have a material adverse effect on its financial condition and results of operations.

However, the Company believes it is well-positioned to take advantage of continued growth opportunities in the Philippine retail market. The Philippines has one of the lowest penetration rates in Asia in the modern food retail sector, which comprises modern organized store formats such as hypermarkets and supermarkets.

The Company may experience difficulties in expanding into the Visayas and Mindanao. Expansion into these areas exposes the Company to operational, logistical and other risks of doing business in new territories. The Company may find it difficult to obtain regulatory or local government approvals for new stores in these areas due to differences in local requirements and processes. The Company may also experience difficulty in building the "Puregold" brand name in these new areas. Operationally, the Company may experience supply, distribution, transportation and/or inventory management issues due to the limited presence of large retailers and underdevelopment of distribution networks. Any difficulties the Company experiences with respect to developing its business presence in the Visayas and Mindanao areas could materially affect its growth strategy, financial condition and results of operations.

But with the Company's well-recognized brand that has become associated with low prices, value and a wide assortment of goods, the Company believes it can manage the risk and successfully expand in Visayas and Mindanao Region. The Company believes this strong brand equity attracts customers to the Company's newly opened stores within a shorter time period than brands that are not as well-recognized, and contributes to the Company's ability to achieve profitability from new stores within a short time period.

The Company may not be able to maintain or improve store sales. The Company may not be able to maintain or increase the level of store sales that it has experienced in the recent past. The Company's overall store sales have fluctuated in the past and will likely fluctuate in the future; a variety of factors affect store sales, including consumer preferences, competition, economic conditions, pricing, in-store merchandising-related activities and the Company's ability to source and distribute products efficiently.

The Company, however, plans to continue to improve and renovate existing stores by upgrading them to address the changing needs and preferences of customers and enhance their overall shopping experience. These efforts include, among others, re-modelling store layouts by optimizing and/or expanding the sales floor areas of existing stores to further improve the visitor traffic, optimally positioning promotional items and continually maintaining and upgrading store decor. The Company believes that these efforts make the stores more attractive to customers and contribute to customer loyalty and to the Puregold brand name.

New stores may place a greater burden on the Company's existing resources and adversely affect its business. The Company's proposed expansion will place increased demands on its operational, managerial, financial and administrative resources. These increased demands could cause the Company to operate its business less effectively, which in turn could cause deterioration in the financial performance of its existing stores. New store openings in markets where the Company has existing stores may also result in reduced sales volumes at its existing stores in those markets. In addition, the Company, or its third party vendors and suppliers, may not be able to adapt its distribution, management information and other operating systems to adequately supply products to new stores at competitive prices. Any expansion may adversely affect the efficiency of the Company's existing operations and quality of its customer service and may materially affect its financial condition and results of operations.

However, the Company's strong relationship with suppliers and trade partners is a key feature in maintaining its price competitiveness while offering a comprehensive range of products. The Company sources products from over 1,500 domestic and multinational suppliers and has maintained a stable relationship with its top suppliers since it was first established in 1998. The Company believes that these suppliers are able to provide the Company with valuable discounts on merchandise partly because of its long-standing relationships and good credit history. The Company also collaborates with these top suppliers through regular meetings and other programs to further improve the Company's service. The Company believes that these relationships are an important part of its success in maintaining a stable supplier base.

In Metro Manila's local retail market, the Company has also fostered its relationship with suppliers through programs such as TNAP, which puts small business owners directly in contact with suppliers at an annual trade show. To facilitate delivery from smaller scale suppliers with limited distribution capabilities, the Company engages third parties to provide cross-docking services. This allows certain suppliers to benefit from a cost effective supply chain as the Company assists them to conveniently outsource part of their delivery obligations. This focus on supplier relationships has enabled the Company to take advantage of additional supplier discounts that the Company is then able to reflect by offering competitively priced goods to customers. These supplier discounts are key to the Company's pricing advantage over its competitors.

Furthermore, the Company has well-established relationships with key tenants at its stores such as Jollibee, McDonald's, Mercury Drug and National Bookstore as well as major real estate companies, such as Ayala Land, Inc., which offers the Company anchor tenant opportunities at their real estate developments. These relationships serve as key business partnerships enabling both the Company and its partners to attract customers to their businesses.

The Company may face increased competition from other hypermarket or supermarket companies in the Philippines. The retail industry in the Philippines is highly competitive. The intensity of the competition in the Philippine retail industry varies from region to region, with Metro Manila generally considered to be the most competitive market in the Philippines. Metro Manila is the Company's largest market in terms of revenue. The Company's growth depends on its ability to attract and retain customers, predict consumer trends and upgrade its facilities. Current competitors with several hypermarkets, supermarkets, department stores and malls, include the SM Group, Robinsons Supermarket and Rustan's Supercenters, among others. Each of these stores competes with the Company on the basis of product selection, product quality, customer service, price, store location or a combination of these factors. In addition, some competitors are also aggressively expanding their number of stores or their product offerings. There can be no assurance that the Company will be able to compete successfully against current competitors or new entrants.

The Company believes that its ability to achieve a strong track record of growth has largely been due to a business model that emphasizes the following: (1) a multi-format offering of hypermarket, supermarket and discounter stores; (2) strategic store locations, and (3) efficient and scalable operations. The Company believes that this business model differentiates it from its competitors and places it in a position to achieve further expansion. The Company has strategically-located stores tailored to maximize coverage and penetration of its targeted market segments. The Company offers distinct store formats that are suitable for different localities such as in commercial areas or residential areas. In terms of location, the Company assesses through informal market research whether a proposed store will be within the catchment area of, and easily accessible by, its target customers. The Company believes that its careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

The Company's retail business depends on its ability to source and sell the appropriate mix of products to suit consumer preferences. The Company's success depends in part on its ability to source and sell products that both meet its standards for quality and appeal to customers' preferences. A small number of the Company's employees are primarily responsible for both sourcing products that meet the Company's specifications and identifying and responding to

changing customer preferences. Failure to source and market such products, or to accurately forecast changing customer preferences, could lead to a decrease in the number of customer transactions at the Company's stores and a decrease in the amount customers spend when they visit these stores.

Consumer demand for the Company's products is directly affected by consumer preferences. Consumer preferences in the markets in which the Company operates or intends to operate may cease to favor the Company's store formats and/or the products offered by the Company as a result of changes in lifestyle and dietary preferences or as a result of national or regional economic conditions. Similarly, local conditions may cause customer preferences to vary from region to region. If the Company's management is unable to identify and adapt to such changes in consumer preferences quickly, consumer demand for the Company's products may decline, which could have a material adverse effect on the Company's business, financial condition and results of operations.

However, the Company has an advanced management information technology system that allows real-time monitoring of critical business information from merchandising, inventory and point-of-sale data to customers, to financial management systems and business intelligence. This system allows the Company to improve its operational efficiency and adjust product offerings in line with market demand based on the sales data accumulated by its information systems. The system also enables automated order replenishment and ensures just-in-time delivery of products from suppliers. As a result, the Company's management information system is a key contributor to the Company's growth, providing an in-depth understanding of local demographics and ability to respond quickly to changing consumer preferences.

The success of the Company's business depends in part on the Company's ability to develop and maintain good relationships with its current and future suppliers. The sourcing of the Company's products is dependent, in part, on its relationships with its suppliers. The Company has had long working relationships with a broad range of multinational companies such as Procter & Gamble, Unilever, Nestlé, Del Monte and other multinational companies, which provide approximately 38% of its in store merchandise. The Company also has long working relationships with domestic companies such as San Miguel Corporation and Universal Robina Corporation. If the Company is unable to maintain these relationships, it may not be able to continue to source products at competitive prices that both meet its standards and appeal to its customers.

To mitigate this risk, the Company intends to continue entering into strategic partnerships and other business relationships with its suppliers, tenants and other business partners, such as established real estate developers, with a view to raising its brand awareness and supporting its growth objectives. The Company also aims to continue developing its relationships with these suppliers, tenants and other business partners to capitalize on any further opportunities for synergy and consolidate key relationships. In addition, the Company intends to enhance its unique relationship with its customers by further improving its TNAP program and sharing store management practices with resellers and putting them in contact with key suppliers. The Company also plans to continue providing customer loyalty incentives to strengthen its market position across its broad customer base.

ITEM 2 PROPERTIES

As of December 31, 2015, the Company has the following properties:

- a. 10 owned parcels of land with a total of 33,575.57 square meters located at the following areas:

North Luzon	1
South Luzon	8
Metro Manila	1
Visayas	0
Mindanao	0
Total	10

- b. 46 owned buildings with a total of 234,844.82 square meters located at the following areas:

North Luzon	8
South Luzon	18
Metro Manila	18
Visayas	1
Mindanao	1
Total	46

- c. 48 leased parcels of land with a total of 244,451.82 square meters located at the following areas:

North Luzon	8
South Luzon	20
Metro Manila	18
Visayas	1
Mindanao	1
Total	48

- d. 220 leased buildings with a total of 516,518.16 square meters located at the following areas:

North Luzon	55
South Luzon	58
Metro Manila	95
Visayas	6
Mindanao	6
Total	220

ITEM 3 LEGAL PROCEEDINGS

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

None of the properties of the Company and its subsidiaries, nor any property of its affiliates has been or is a subject of any governmental, legal or arbitration proceedings.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the Annual Stockholders' Meeting in 2015, the following matters were submitted to a vote of security holders:

1. Call to order.
2. Certification of service of notice and existence of quorum.
3. Approval of the Minutes of the 2014 Annual Stockholders' Meeting and ratification of all acts and resolutions of the Board of Directors and Management from the date of the previous Stockholders' Meeting.
4. Annual Report of the Chairman and President and Approval of the Audited Financial Statements as of December 31, 2014.
5. Election of seven (7) directors inclusive of two (2) independent directors.
6. Appointment of External Auditor.
7. Amendment of 3rd Article of Articles of Incorporation and Section 3 Article II of the By-Laws.
8. Other Matters.
9. Adjournment

PART II

OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

The following table shows the high and low prices (in PHP) of Puregold Price Club, Inc.'s shares in the Philippine Stock Exchange for the year 2015:

2015	High	Low
January	42.00	38.55
February	42.80	38.70
March	42.00	39.35
April	41.50	39.00
May	40.90	38.00
June	38.80	35.90
July	37.80	35.50
August	38.00	30.00
September	32.60	30.80
October	36.25	31.15
November	36.05	31.25
December	34.70	33.30

Source: Daily Quotation Reports of the Philippine Stock Exchange

The market capitalization of the Company's common shares as of end-2015, based on the closing price of Php 38.62 per share, was approximately Php 107 Billion.

There are approximately 42 registered holders of common shares as of December 31, 2015 owning atleast 1 board lot per 100 share. The following are the top 20 registered holders of the Company's securities as of December 31, 2015:

1. Cosco Capital, Inc.	1,410,867,188	51.00%
2. Deutsche Bank Manila-Clients	304,530,111	11.00%
3. The Hongkong and Shanghai Banking Corp. Ltd-Client	290,726,459	10.51%
4. Lucio L. Co	211,088,022	7.62%
5. Susan P. Co	178,242,585	6.44%
6. Citibank N.A	67,890,046	2.45%
7. Standard Chartered Bank	42,856,253	1.55%
8. Ferdinand Vincent P. Co	26,709,460	0.97%
9. Pamela Justine P. Co	26,709,460	0.97%
10. Social Security System	22,076,500	0.80%
11. Government Service Insurance System	21,643,100	0.78%
11. COL Financial Group, Inc.	20,260,000	0.73%
12. Banco De Oro - Trust Banking Group	15,992,448	0.58%
13. Citibank FAO Philippine Axa Chinese Tycoon	12,220,500	0.44%
14. Camille Clarisse P. Co	8,155,288	0.29%
15. A & A Securities, Inc.	6,678,300	0.24%
15. Papa Securities Corporation	6,001,600	0.22%

16. BPI Securities Corporation	5,872,524	0.21%
17. First Metro Securities Brokerage Corp.	5,436,288	0.20%
18. Ansaldo Godinez & Co., Inc.	4,908,000	0.18%
19. BDO Securities Corporation	3,885,202	0.14%
20. SB Equities, Inc.	3,861,200	0.14%

D. Dividend. On December 18, 2015, the Company declared a cash dividend in the total amount of PHP0.30 per share, the details of which are as follows:

Regular Dividend - PHP0.20 per share
Special Dividend - PHP0.10 per share

Record date - January 8, 2016
Payment date - January 18, 2016

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

ITEM 6 MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The information requested by item 6 is attached herewith as Annex "A"

ITEM 7 FINANCIAL STATEMENTS

Consolidated Audited Financial Statements for 2015 is hereto attached as Annex "B".

ITEM 8 CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The External Auditor of the Company for fiscal year 2015 is R.G. Manabat & Co. (KPMG). The partner-in-charge is Mr. Darwin Virocel. The Company has engaged R.S. Manabat & Co. (KPMG) since 2007 and there has been no disagreements on accounting and financial disclosure. Prior to 2015, the partner handling the account of the Company was Mr. Arthur Machacon.

In compliance with with SRC Rule 68, (3), (b), (iv) where it states that changes should be made in assignment of external auditor or assigned partner atleast every five (5) years.

Audit and Audit Related Fees

The Company and subsidiary paid the External Auditor representing audit fee for the audit services rendered for the year 2015:

2015 Audit Fee	2015 Non-Audit Fee
Php4,680,000.00	None

ITEM 9 CONTROL AND COMPENSATION INFORMATION

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

LUCIO L. CO, 61, Filipino, Chairman

Mr. Co has been a Director and Chairman of the Company since it was incorporated in September 1998. He has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

Mr. Co currently holds the following positions:

Position	Listed Companies	Private Companies
Chairman	Cosco Capital, Inc. Puregold Price Club, Inc. Da Vinci Capital Holdings, Inc.	CHMI Hotels and Residences Entenso Equities, Inc. Liquigaz Philippines Corp. NE Pacific Shopping Centers Corp. Puregold Duty Free Subic, Inc. San Jose City 1 Power Corp. Union Energy Corporation Puregold Finance, Inc. Puregold Realty Leasing and Mngt. Alcorn Petroleum & Minerals Corp. Union Equities, Inc. Bellagio Holdings, Inc. Canaria Holdings Corporation Ellimac Prime Holdings, Inc. Invescap, Incorporated PG Holdings, Inc. Puregold Duty Free, Inc. Puregold Properties, Inc. PPCI Subic, Inc. PurePetroleum Corp. Catuiran Hydropower Corporation Kareila Management Corp. LCCK & Sons Realty Meritus Prime Distributions, Inc Montosco, Inc. Nation Realty, Inc. Patagonia Holdings Corp. Premier Wine & Spirits, Inc. Board of Trustees, Adamson University
Director	Philippine Bank of Communications	
Member		

He has been an entrepreneur for the past 40 years.

SUSAN P. CO, 58 years old, Filipino, Vice-Chairman

Mrs. Co has been a Director, Vice-Chairman and Treasurer of Puregold Price Club, Inc. since it was incorporated in September 1998. She has been duly elected to hold office as Director for one year and until her successor is elected and qualified.

Mrs. Co currently holds the following positions:

Position	Listed Companies	Private Companies
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Director	Cosco Capital, Inc. Philippine Bank of Communications	CHMI Hotels and Residences Ellimac Prime Holdings Kareila Management Corp. KMC Realty Corp. League One, Inc. Meritus Prime Distributions Montosco, Inc. Nation Realty, Inc. Patagonia Holdings Corp. Puregold Duty Free (Subic), Inc. Premier Wines and Spirits PG Holdings, Inc. Puregold Duty Free, Inc. Puregold Properties, Inc. Puregold Realty Leasing & Mngt. PurePetroleum Corp. San Jose City 1 Power Corp. Alcorn Petroleum and Minerals Bellagio Holdings, Inc. Luis Co Chi Kiat Foundation NE Pacific Shopping Center Puregold Finance, Inc. PPCI Subic, Inc. Union Energy, Inc. Union Equities, Inc.
Treasurer		

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

FERDINAND VINCENT P. CO, 34 years old, Filipino, President

Mr. Co has been a Director of the Company since 2003. Mr. Co has been duly elected to hold office as Director for one year and until his successor is elected and qualified. He was elected President of the Company on May 12, 2015.

Mr. Ferdinand Vincent P. Co currently holds the following positions:

Position	Listed Companies	Private Companies
Chairman and President		Alerce Holdings, Inc. KMC Realty Corporation League One, Inc. Meritus Prime Distributions Montosco, Inc. Nation Realty, Inc. Patagonia Holdings Corp. VFC Land Resources, Inc.
President	Puregold Price Club, Inc.	PG Lawson, Inc. Union Equities, Inc. Bellagio Holdings, Inc. Blue Ocean Holdings, Inc.
Director		CHMI Hotels and Residences Ellimac Prime Holdings, Inc. Entenso Equities, Inc. Kareila Management Corp. PG Holdings, Inc.

PSMT Philippines, Inc.
Premier Wine & Spirits, Inc.
Puregold Duty Free Subic
Puregold Finance, Inc.
Puregold Realty Leasing & Mngt
PPCI Subic, Inc.
Pure Petroleum Corp.
Union Energy Corporation
San Jose City Power
Puregold Properties, Inc.

Mr. Co received a Bachelor of Science Degree in Entrepreneurial Management from the University of Asia and the Pacific.

Leonardo B. Dayao, 72 years old, Filipino, Director

Mr. Dayao has been duly elected to hold office as Director for one year and until his successor is elected and qualified. He was the President of the Company from 2005 to 2014. He was first elected as one of the members of the Board in 1998.

Mr. Dayao currently holds the following positions:

Position	Listed Companies	Private Companies
Chairman		PSMT Philippines, Inc. Fertuna Holdings Corp.
President	Cosco Capital, Inc.	Catuiran Hydropower Corp. San Jose City Power Corp. Alcorn Petroleum Minerals Puregold Duty Free Subic, Inc. Puregold Finance, Inc. Union Energy Corporation Corp.
Director	Philippine Bank of Communications Puregold Price Club, Inc.	Entenso Equities, Inc. Nation Realty, Inc. Puregold Realty Leasing & Mngt

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

PAMELA JUSTINE P. CO, 31 years old, Filipino, Director

Ms. Co has been a Director of the Company since 2003. Ms. Co has been duly elected to hold office as Director for one year and until her successor is elected and qualified.

Ms. Pamela Co is currently holding the following positions:

Position	Listed Companies	Private Companies
Director	Puregold Price Club, Inc.	Alerce Holdings CHMI Hotels and Residences Blue Ocean Holding, Inc. Ellimac Prime Holdings, Inc. Fertuna Holdings Corp. League One, Inc. Kareila Management Corp. KMC Realty Corp. PG Holdings, Inc.

Premier Wine & Spirits
Puregold Duty Free, Inc.
Puregold Properties, Inc.
Pure Petroleum Corp.
Union Energy Corporation
Union Equities, Inc.

She graduated from Thames International School with a Bachelor's Degree in Entrepreneurship.

Marilyn V. Pardo, 77 years old, Filipino, Independent Director

Mrs. Pardo was first elected as an Independent Director of the Company on 5 October 2010. She was elected as Independent Director on May 12, 2015 and will hold office until her successor is elected and qualified.

Mrs. Pardo held the following positions from the Company's incorporation to December 2015:

Position	Listed Companies	Private Companies
Chief Executive Officer		Asian Holdings Corporation Downtown Properties, Inc. Casa Catalina Corporation Catalina Commercial Properties, Inc.

Mrs. Pardo received a Bachelor of Liberal Arts and an Associates Degree in Business from Assumption College in 1960.

Edgardo G. Lacson, 72 years old, Filipino, Independent Director

Mr. Lacson was elected as an Independent Director of the Company on October 5, 2010 and will hold office until his successor is elected and qualified.

Mr. Lacson is currently holding the following position:

Position	Listed Companies	Private Companies
Chairman		MIL Export Philippines, Inc. Metrostore Corporation Beacon Environmental Mngt. Services
President		Marine Industry Supply Corp. Safe Seas Shipping Agency Co., Inc. EML Realty Employers Confederation of the Phil. MIS Maritime Corporation
Member		Mngt. Association of the Philippines Board of Trustees, De La Salle University Philippine Technical Committee Philippine Nippon Kaiji Kyoka Home Development Mutual Fund
Trustee Independent Director	Philippine Stock Exchange	

Director

Other Market Participants-
The Philippine Stock
Exchange Link Edge

Mr. Lacson graduated from the De La Salle University with a Degree of Bachelor of Science in Commerce.

Baby Gerlie Sacro, 38 years old, Filipino, Corporate Secretary

Ms. Sacro has been the Corporate Secretary of the Company since 2000. Prior to joining the Company, she was employed by Plaza Fair, Inc. in the Compensation and Benefit Section of the Human Resources Department. Ms. Sacro received a Bachelor of Science degree in Entrepreneurial Management as well as completing a post-baccalaureate course in Management from the Polytechnic University of the Philippines.

Atty. Candy H. Dacanay-Datuon, 37 years old, Filipino, Assistant Corporate Secretary and Compliance Officer

Atty. Dacanay-Datuon has been appointed the Compliance Officer and Assistant Corporate Secretary of the Company on November 25, 2011. Ms. Dacanay is a lawyer and a member of the Philippine Bar since 2004. She has been employed as counsel for the Company since 2004. She received a Bachelor of Arts, Cum Laude, in Political Science from the Colegio de San Juan de Letran and a Bachelor of Laws Degree from the University of Santo Tomas.

Teodoro A. Polinga, 57 years old, Filipino, Comptroller

Mr. Polinga has been the Company's Comptroller since March 2015.

He is a founding member of Alchem Energy Limited and Summit Minerals, PTE. LTD. He used to work as Chief Finance Officer of Phoenix Petroleum Philippines from 2007 to 2008; Deputy CFO for PT Citramegah Karya Gemilang - Libya branch from 2008 to 2010; Senior Vice President for Finance of Citadel Commercial Group, 2001 to 2003; Senior Vice-President for Business Development of Citadel Group, 2003 to 2005; Vice-President, CFO and Director of Unicol Management Services, 1989 to 2001.

Mr. Polinga is a Certified Public Accountant since 1979 and is an alumnus of SyCip Gorres Velayo & Co. where he started his career in public accountancy. He is also an alumnus of the Asian Institute of Management where he took up a Management Development Program in 1990.

ITEM 10 EXECUTIVE COMPENSATION

In the table below is the aggregate remuneration of the Executive Directors and top senior management officers for the year 2015:

Name	Current Position	Year	Salary in Philippine Peso	Bonus	Other Annual Compensation
Lucio L. Co	Chairman	2016	6,000,000	-	-
		2015	6,000,000	-	-
		2014	6,000,000	-	-
Susan P. Co	Vice-Chairman	2016	2,400,000	-	-
		2015	2,400,000	-	-
		2014	2,400,000	-	-
Ferdinand Vincent P. Co	President	2016	3,900,000		
		2015	3,620,833		
		2014			
Leonardo B. Dayao	Director	2015	750,000		
		2014	1,950,000		
		2013	1,950,000		
Iraida B. De Guzman	Senior Vice-President	2016	1,295,000		
		2015	1,170,000		
		2014	1,170,000		
Denise Maria D. Carolino	Vice-President	2016	905,000		
		2015	780,000		
		2014	780,000		
All Other Officers as a Group unnamed		2016	87,619,415		
		2015	72,888,315		
		2014	63,885,878		

ITEM 11 SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

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

Title of Class	Name, Address of record owner	Relationship with the Company	Name Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares held	Percent
Common	Cosco Capital, Inc. No. 900 Romualdez Street, Paco, Manila	Parent Company / Stockholder	Direct	Filipino	1,410,867,188	51.00%
Common	Deutsche Bank Manila-Clients	Stockholder		Filipino	304,530,111	11.00%
Common	The Hongkong and Shanghai Banking Corp. Ltd-Clients	Stockholder		Filipino	290,726,459	10.51%
Common	Lucio L. Co, No. 2 Pili Avenue, South Forbes Park, Makati City	Stockholder	Direct and Indirect	Filipino	211,088,022	7.62%
Common	Susan P. Co, No. 2 Pili Avenue, South Forbes Park	Stockholder	Direct	Filipino	178,242,585	6.44%

In the table below are the holdings of the Directors and Executive Officers of the Company:

Title of Class	Name of Beneficial Owner	Nature of Beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Lucio L. Co	Direct	Filipino	211,088,022	7.62%
Common	Susan P. Co	Direct	Filipino	178,242,585	6.44%
Common	Ferdinand Vincent P. Co	Direct	Filipino	26,709,460	0.97%
Common	Leonardo B. Dayao	Direct	Filipino	739,925	0.03%
Common	Pamela Justine P. Co	Direct	Filipino	26,709,460	0.97%
Common	Marilyn V. Pardo	Direct	Filipino	1	0.00%
Common	Edgardo G. Lacson	Direct	Filipino	1	0.00%

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

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

Change in Control

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

ITEM 12 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

The 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.

The Parent Company is a party to a trademark Licensing Agreement (the "Licensing Agreement") with Mr. Lucio Co, under which Mr. Co licenses the use of tradenames and trademarks related to the "Puregold" brand and other Company affiliates, including Puregold Finance, Inc., Puregold Duty Free-Subic, Inc., Puregold Realty Leasing and Management Inc., Puregold Duty Free, Inc. and Puregold Properties, Inc. (the "Licensed Affiliates"). The Parent Company pays Mr. Co royalty fees of 1/20 of 1% of the Company's net sales for the use of tradenames and trademarks. This Licensing Agreement is for a period of 30 years and is exclusive. Consequently, during the term of the Licensing Agreement, Mr. Co cannot license the tradenames and trademarks under this agreement except to Puregold Junior and the Licensed Affiliates. None of the tradenames and trademarks can also be transferred by Mr. Co.

In 2007, Kareila entered into a concession contract with PSMT Phils., Inc., a company owned by Mr. Co, for the 4 locations of S&R in Manila. Instead of paying rental to PSMT, Kareila pays a concession fee of 15% of revenue. The contract was for 5 years and renewable thereafter. In March 2012, concession fee was reduced to 4%. The concession fee covered the cost of lease rental, utilities, manpower, security services, maintenance costs and marketing expenses.

The Group has an agreement with Puregold Finance, Inc., pursuant to which the employees are able to borrow money from Puregold Finance, Inc., and loan repayments are made by the Group through salary deductions, which are withheld from employees to repay Puregold Finance, Inc. The Group is not a guarantor to any of these loans.

Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties. The terms under which the Group binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Group uses the terms and provisions it has in place for similar contracts with unrelated third parties as a benchmark for its agreements with related parties.

For more detailed information please refer to the related party transactions as disclosed in the Audited Financial Statements for the Year 2015 attached as Annex "B".

ITEM 13 CORPORATE GOVERNANCE

On March 4, 2016, the Board of Directors of the Company approved the following amendments on the Articles of Incorporation and By-laws. The following amendments are intended to improve the corporate governance practices of the Company. The amendments are as follows:

Amendment of the 6th Article of Articles of Incorporation

On March 4, 2016, the Board of Directors of the Company approved the increase of number of directors from seven (7) to nine (9) directors comprising of six (6) regular directors and three (3) independent. The proposed amendment is for approval of the stockholders holding atleast 2/3 of the outstanding capital stock of the Company.

Amendment of Section 6 Article III of the Company's By Laws

On March 4, 2016, the Board of Directors of the Company approved the amendment of Section 6 Article III of the Company's By Laws. From "simple majority", the Board approved that "two-thirds (2/3) of the members" of the Board as fixed in the Articles of Incorporation shall be required to constitute a quorum in Board meetings. The proposed amendment is for approval of the stockholders holding atleast 2/3 of the outstanding capital stock of the Company.

Amendment of Section 4 (1) Article II of the Company's By Laws

From a "two-weeks" notice, the Board approved to change it to "thirty days" notice prior to the annual or special stockholders meeting to be sent to the last known address of the stockholder on record. The proposed amendment is for approval of the stockholders holding atleast 2/3 of the outstanding capital stock of the Company.

Updates on Annual Corporate Governance Report of the Company is attached in this Report as Annex "D".

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

Annex "A" - Management Discussion and Analysis and Plan of Operation

Annex "B" - Consolidated Audited Financial Statements

Annex "C" - Supplementary Schedules

Annex "D" - Annual Corporate Governance Report

(b) Reports on SEC Form 17-C

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

Date of Report	Date Filed with SEC	Particulars
February 6, 2015	February 6, 2016	Acquisition of Nine (9) Supermarkets from NE Incorporated
March 25, 2015	March 25, 2015	Changes in Issued, Outstanding and Treasury Shares of Puregold Price Club, Inc.
March 26, 2015	March 27, 2015	Puregold opens 1 st Lawson Store in the Philippines
March 29, 2015	March 31, 2015	List of Stockholders of Puregold Price Club, Inc. as of record date March 26, 2015
May 7, 2015	May 8, 2015	Investors' Briefing for the 1 st Quarter 2015 Financial Results
May 12, 2015	May 13, 2015	Material Information / Transaction dated May 12, 2015 re: Result of Board Meeting, Annual Stockholders' Meeting and Board's Organizational Meeting of Puregold Price Club, Inc.: A. Approval of the following during the Board Meeting dated May 12, 2015: 1. 1st Quarter Report of Puregold Price Club, Inc. and its subsidiaries for the year 2015 2. Press Release for the 1st Quarter Financial Performance. B. Approval of the following Agenda during the Annual stockholders' Meeting dated May 12, 2015: 1. Call to order 2. Certification of service of notice and existence of quorum 3. Approval of the Minutes of the 2014 Annual Stockholders' Meeting and ratification of all acts and resolutions of the Board of Directors and Management from the date of the previous Stockholders' Meeting 4. Annual Report of the Chairman and President and Approval of the Audited Financial Statements as of December 31, 2014 5. Approval of the merger of Company E Corporation with Puregold Price Club, Inc. 6. Election of seven (7) directors inclusive of two (2) independent directors 7. Appointment of External Auditor 8. Other Matters

9. Adjournment

Out of 2,766,406,406 outstanding shares of Puregold Price Club, Inc., 2,201,194,770 shares of 80% of the outstanding capital stock of the corporation was present and voted on the items in the agenda.

80% of the voting shares voted in favor of the merger of Company E with Puregold Price Club, Inc.

The following candidates for 2015 Board of Directors were duly elected during the said meeting: Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co, Leonardo B. Dayao and Pamela Justine P. Co as regular directors and Marilyn V. Pardo and Edgardo G. Lacson as independent directors.

C. Election of the following company officers during the Organizational Meeting of the Board of Directors dated May 12, 2015:

Chairman: Lucio L. Co
Vice-Chairman: Susan P. Co
President: Ferdinand Vincent P. Co
Corporate Secretary: Bagy Gerlie I. Sacro
Assistant Corporate Secretary and Compliance Officer:
Atty. Candy H. Dacanay-Datuon

Further, the Board appointed the following members:

Executive Committee: Lucio L. Co, Chairman
Leonardo B. Dayao, member
Susan P. Co, member
Ferdinand Vincent P. Co, member

Audit Committee:
Edgardo G. Lacson (ID), Chairman
Lucio L. Co, member
Leonardo B. Dayao, member
Susan P. Co, member
Ferdinand Vincent P. Co, member

Nomination Committee:
Susan P. Co, Chairman
Lucio L. Co, member
Marilyn V. Pardo (ID), member
Leonardo B. Dayao, member

Compensation Committee:
Lucio L. Co, Chairman
Marilyn V. Pardo (ID), member
Ferdinand Vincent P. Co, member
Leonardo B. Dayao, member

Corporate Governance and Risk Committee:
Marilyn V. Pardo, Chairman
Lucio L. Co, member
Leonardo B. Dayao, member
Ferdinand Vincent P. Co, member.

May 14, 2015	May 14, 2015	Company Presentation for investors' Briefing of Puregold Price Club, Inc. to be held on May 14, 2015, 4:00 P.M.
June 29, 2015	June 30, 2015	Certificates of Attendance on "Corporate Governance: Best Practices and ASEAN Scorecards"
June 29, 2015	June 30, 2015	Puregold Steps Up Supermarket Acquisition
July 8, 2015	July 8, 2015	Completion of Report on "Corporate Governance: Best Practices and ASEAN Scorecards"
July 8, 2015	July 8, 2015	Approval of the Amendment of PGOLD's Articles of Incorporation and By Laws.
July 31, 2015	July 31, 2015	Result of Board Meeting dated July 30, 2015 Approval of 2 nd Quarter consolidated Financial Report for CY 2015 of Puregold Price Club, Inc.
August 5, 2015	August 6, 2015	Notice of Analysts' Briefing and Investors Call on the Puregold 1H 2015 Results Briefing on August 13, 2015 at 4:00 P.M (Manila/Hong Kong/Singapore time)
August 6, 2015	August 11, 2015	Press Release re: Puregold Price Club, Inc. Acquisition of eight Supermarkets under the trade name, Budgetlane
August 13, 2015	August 13, 2015	Pgold Press Release Entitled, "Puregold Net Income Hits PHP2 Billion 1H up 21.1%"
August 13, 2015	August 17, 2015	Company Presentation for Investors' Briefing of Puregold Price Club, Inc. dated August 13, 2015
September 15, 2015	September 15, 2015	Result of Board Meeting re: approval of the Board of Directors of the Amendment of the Retirement Plan and the Second Article of the Articles of Incorporation of Puregold Price Club, Inc.
October 21, 2015	October 22, 2015	List of Stockholders as of record date October 16, 2015, pursuant to the Information Statement of the Company dated September 28, 2015.
November 3, 2015	November 3, 2015	Result of Board Meeting held on November 2, 2015 re: approval of the following: 1. CY 2015 3 rd Quarter Consolidated Financial Report 2. Renewal of Authority of the Chairman and the President to buy back PGOLD shares 3. Amendment of Secondary Purpose in the Articles of Incorporation of the Company to include the intended "remittance operation/ activity".
November 4, 2015	November 5, 2015	Notice of Joint Analysts' Briefing and Investors' Call on November 13, 2015 at 4:00 P.M (Manila/Hong Kong/Singapore).
November 13, 2015	November 16, 2015	PGOLD Press Release entitled, "Puregold Net Income Hits P3.2 Billion in 9M 2015 Up 6.5%".
November 13, 2015	November 16, 2015	Company Presentation for Investors' Briefing Teleconference to be held on November 13, 2015, 4:00 PM
December 9, 2015	December 9, 2015	Result of Written Assent submitted by PGOLD Stockholders. Stockholders holding 92% of the total outstanding capital stock or 2,542,778,562 shares voted for the Amendment of Articles of Incorporation
December 14, 2015	December 17, 2015	News Article entitled, "Puregold boosts spending plans to branch out from 'saturated' Metro Manila" posted in Business World Online dated December 11, 2015.

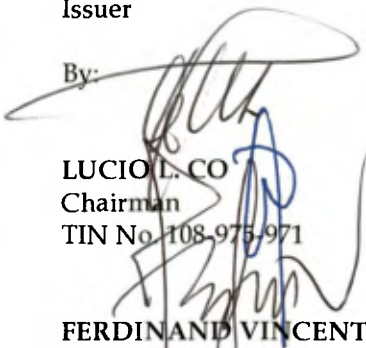
December 14, 2015	December 22, 2015	List of Stockholders as of record date, December 14, 2015, pursuant to the Information Statement of the Company dated December 8, 2015.
December 18, 2015	December 22, 2015	Result of Board of Directors Meeting dated December 18, 2015 / Cash Dividend Declaration Approval of the following: 1. External Audit Plan presented by R.G. Manabat, KPMG 2. Cash Dividend Declaration with details as follows: Regular Dividend of PHP0.20 per share Special Dividend of PHP0.10 per share Record date: January 8, 2016 Payment date: January 18, 2016

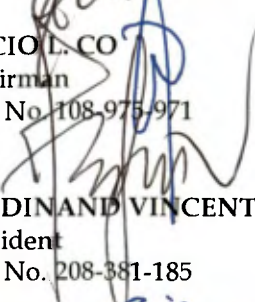
SIGNATURES

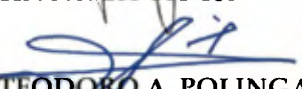
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this ANNUAL REPORT (SEC 17-A) to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Manila on April 12, 2016.

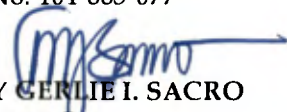
PUREGOLD PRICE CLUB, INC.
Issuer

By:


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


FERDINAND VINCENT P. CO
President
TIN No. 208-381-185


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


BABY GERLIE I. SACRO
Corporate Secretary
TIN No. 914-383-469

SUBSCRIBED AND SWORN to before me this 14 day of April 2016 in the City of Manila, affiants presented competent proof of their identities.

Doc. No. 298
Page No. 61
Book No. III
Series of 2016.


EMMA RHEA B. SADURAL
Notary Public
Until December 31, 2016
Commission No. 2015-035
Roll No. 55724
IBP Lifetime Member No. 07476
PTR No. 4915070/01-04-16/Mla.
No. 900 Romualdez St., Paco, Manila

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Group's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group's business should be read in conjunction with the auditors' reports and the Group's 2015 audited consolidated financial statements and notes attached herewith as Annex “B”.

Key Performance Indicators

The key performance indicators of the Group as at and for the last three (3) years ended December 31 are as follows:

	2015	2014	2013
Current Ratio ⁽¹⁾	1.58:1	1.48:1	1.36:1
Asset to Equity Ratio ⁽²⁾	1.53:1	1.57:1	1.62:1
Debt to Equity Ratio ⁽³⁾	0.53:1	0.57:1	0.62:1
Debt to Total Assets ⁽⁴⁾	0.35:1	0.36:1	0.38:1
Book Value per Share ⁽⁵⁾	P13.89	P12.38	P11.06
	2015	2014	2013
Earnings per Share ⁽⁶⁾	1.81	P1.63	P1.43
Price Earnings Ratio ⁽⁷⁾	19.19x	23.59x	26.48x
Return on Assets ⁽⁸⁾	8.9%	8.8%	8.3%
Return on Equity ⁽⁹⁾	13.8%	13.9%	13.6%

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

Results of Operations:

For the year ended December 31, 2015, the Group earned a consolidated net income of P5,002 million at 5.1% net margin and an increase of 10.6% from P4,520 million at 5.3% net margin in 2014 of the same period. This was principally driven by the continuous expansion of the Group both organic as well as strategic acquisitions and investments and combined management strategies and programs to boost revenue contributions from both the base

stores as well as new stores (both organic and strategic acquisitions) complemented by operating efficiencies and strategic costs controls on operating expenses at its current level.

The Group's financial performance are presented below for the last three (3) comparative years ended December 31:

(In millions)	2015			2014			2013	
		% to Sales	% Change		% to Sales	% Change		% to Sales
Net Sales	P97,172	100.0%	14.7%	P84,697	100.0%	15.7%	P73,177	100.0%
Cost of Sales	80,683	83.0%	15.4%	69,937	82.6%	15.6%	60,478	82.6%
Gross Profit	16,489	17.0%	11.7%	14,760	17.4%	16.2%	12,699	17.4%
Other Operating Income	2,886	3.0%	12.6%	2,563	3.0%	16.3%	2,204	3.0%
Gross Income	19,375	19.9%	11.8%	17,323	20.5%	16.2%	14,903	20.4%
Operating Expenses	12,225	12.6%	12.7%	10,845	12.8%	14.8%	9,449	12.9%
Operating Income	7,150	7.4%	10.4%	6,478	7.6%	18.8%	5,454	7.5%
Other income(expenses)	(45)	0.0%	128.2%	(20)	0.0%	-116.1%	122	0.2%
Net Income before tax	7,105	7.3%	10.0%	6,458	7.6%	15.8%	5,576	7.6%
Income tax expense	2,103	2.2%	8.5%	1,938	2.3%	19.8%	1,617	2.2%
Net Income after tax	P5,002	5.1%	10.6%	P4,520	5.3%	14.2%	P3,959	5.4%

Net Sales

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

	PGOLD	S&R
Net Sales	3.8%	-0.1%
Net Ticket	5.7%	-3.0%
Traffic	-1.8%	3.0%

Gross Profit

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

Other Operating Income

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

to increase in display allowance, rent income, membership income and other supplier supports driven mainly by new stores offering new spaces for product displays and booths for third party retailers and other promotions to increase customer and supplier's supports.

Operating Expenses

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

Other Expense - net

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

Net Income

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

Comparative years 2014 and 2013

Net Sales

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

	PGOLD	S&R
Net Sales	1.8%	10.3%
Net Ticket	4.1%	0.7%
Traffic	-2.2%	9.5%

Gross Profit

For the year ended December 31, 2014, the Group realized an increase of 16.2% in consolidated gross profit from P12,699 million in 2013 to P14,760 million in 2014, driven by strong sales growth from new and old stores and continuous suppliers' support through rebates and conditional discounts granted during the period. Consolidated gross profit margin was posted at 17.4% for the years ended December 2014 and 2013.

Other Operating Income

Other operating income increased by P359 million or 16.3% from P2,204 million in December 2013 to P2,563 million in 2014. This is attributable to increase in concession income, display allowance, rent income, membership income and service income driven mainly by new stores offering new spaces for product displays and booths for third party retailers and other promotions to increase customer and supplier's supports.

Operating Expenses

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

Other Income (Expense) - net

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

Net Income

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

Financial Position

The Group's consolidated financial position as at December 31, 2015, 2014 and 2013 are presented below:

(In millions)	2015			2014			2013	
		% to Total Assets	% Change		% to Total Assets	% Change		% to Total Assets
Cash & Cash Equivalents	P6,246	10.6%	-7.6%	P6,758	12.6%	27.5%	P5,299	10.7%
Short-term investments				-	0.0%	-100.0%	500	1.0%
Receivables – net	2,683	4.6%	37.9%	1,946	3.6%	59.9%	1,217	2.5%
Investments in trading securities	34	0.1%	-8.1%	37	0.1%	29.7%	29	0.1%
Merchandise inventory	12,983	22.1%	16.3%	11,167	20.8%	18.3%	9,442	19.0%
Prepaid expenses and other current assets	1,067	1.8%	86.3%	573	1.1%	-43.8%	1,019	2.1%
Total Current Assets	23,014	39.1%	12.4%	20,481	38.2%	17.0%	17,505	35.3%
Investments and acquisitions of subsidiaries	868	1.5%	9.7%	792	1.5%	80.0%	440	0.9%
Property and equipment- net	14,034	23.8%	6.9%	13,132	24.5%	4.9%	12,513	25.2%
Intangibles and goodwill	19,521	33.2%	8.3%	18,017	33.6%	0.1%	18,001	36.3%
Other noncurrent assets	1,406	2.4%	12.9%	1,245	2.3%	6.7%	1,167	2.4%
Total Noncurrent Assets	35,829	60.9%	8.0%	33,185	61.8%	3.3%	32,121	64.7%
	P58,844	100.0%	9.6%	P53,666	100.0%	8.1%	P49,626	100.0%
Accounts payable and accrued expenses	9,778	16.6%	-6.6%	10,465	19.5%	-5.2%	11,040	22.2%
Short-term loans payable	3,138	5.3%	130.1%	1,364	2.5%	54.3%	884	1.8%
Income tax payable	759	1.3%	15.0%	660	1.2%	17.7%	561	1.1%
Trust receipts payable	5	0.0%	0.0%	-	0.0%	0.0%	17	0.0%
Due to related parties	30	0.1%	11.7%	27	0.0%	-66.4%	79	0.2%
Current maturities of long - term loans, net of debt issue costs	570	1.0%	-40.8%	963	1.8%	0.0%	-	0.0%
Other current liabilities	327	0.6%	-8.5%	357	0.7%	18.3%	302	0.6%
Total Current Liabilities	14,606	24.8%	5.6%	13,835	25.8%	7.4%	12,882	26.0%
Noncurrent accrued rent	2,493	4.2%	20.5%	2,069	3.9%	29.3%	1,599	3.2%
Long-term loans - net of current maturities and debt issue costs	2,395	4.1%	-3.9%	2,493	4.6%	-27.8%	3,452	7.0%
Deferred tax liabilities – net	496	0.8%	-22.7%	642	1.2%	-21.7%	819	1.7%
Retirement benefits liability	440	0.7%	11.5%	394	0.7%	37.6%	287	0.6%
Total Noncurrent Liabilities	5,824	9.9%	4.0%	5,598	10.4%	-9.1%	6,157	12.4%
Total Liabilities	P20,430	34.7%	5.1%	P19,433	36.2%	2.1%	P19,039	38.4%
Capital stock	2,785	4.7%	0.1%	2,783	5.2%	0.0%	2,783	5.6%
Additional paid in capital	20,830	35.4%	0.0%	20,830	38.8%	0.0%	20,830	42.0%
Remeasurements of retirement liability - net of tax	(1)	0.0%	-98.4%	(42)	-0.1%	1564.8%	(3)	0.0%
Retained earnings	14,855	25.2%	39.1%	10,683	19.9%	52.8%	6,992	14.1%
Treasury stock, at cost	(57)	-0.1%	172.5%	(21)	0.0%	23.1%	(17)	0.0%
Total Equity	38,413	65.3%	12.2%	34,233	63.8%	11.9%	30,586	61.6%
	P58,844	100.0%	9.6%	P53,666	100.0%	8.1%	P49,626	100.0%

Comparative Years 2015 and 2014

Current Assets

As at December 31, 2015 and 2014, total current assets amounted to P23,014 million or 39.1% of total assets, and P20,481 million or 38.2% of total assets, respectively, for an increase of P2,533 million or 12.4%.

Cash and cash equivalents as at December 31, 2015 amounted to P6,246 million or 10.6% of total assets and decreased by P512 million or 7.6% compared to previous year-end balance. Decrease in the consolidated cash position was attributable mainly to settlement of trade and non-trade payables, payment for 2014 cash dividend, acquisition of NE supermarkets and capital expenditures for 2015 new Puregold organic stores.

Receivables amounted to P2,683 million as at December 31, 2015 or 4.6% of total assets, with an increase of P737 million or 37.9% from P1,946 million in December 2014. The growth was due to increase in sales during the year.

Merchandise inventory amounted to P12,983 million or 22.1% of total assets at the end of December 2015. Total inventory increased by P1,816 million or 16.3% principally due to stocking requirements of new organic and acquired stores during the year.

Investments in trading securities amounted to P34 million as at December 31, 2015 from P37 million in December 2014 and decreased by P3 million or 8.1% due to unrealized loss from changes in fair market values.

Prepaid expenses and other current assets increased by P495 million or 86.3% due to increase in input VAT on purchase of inventory and payment of various expenses and increase in prepaid expenses from availment of new policies for insurance of new stores and advance payment of rent for soon to open stores.

Noncurrent Assets

As at December 31, 2015 and 2014, total noncurrent assets amounted to P35,829 million or 60.9% of total assets, and P33,185 million or 61.8% of total assets, respectively, for an increase of P2,644 million or 8.0% as at December 31, 2015.

Investments increased by P77 million or 9.7% from P792 million in December 2014 to P868 million in December 2015 due mainly to additional equity investments during the year to its unconsolidated joint venture affiliate, Ayagold Retailers.

Net book values of property and equipment increased by P902 million or 6.9% from P13,132 million in December 2014 to P14,034 million in December 2015. This was due principally to capital expenditures pertaining to new stores established during the period.

Intangibles increased by P1,504 million or 8.3% from P18,017 million in December 2014 to P19,521 million in December 2015 due to goodwill recognized resulting from acquisition of 9 NE supermarkets in February 2015 and 8 Budgetlane stores in August 2015.

Other noncurrent assets increased by P161 million or 12.9% from P1,245 million in December 2014 to P1,406 million in December 2015. This was primarily due to increase in advance rent and deposits made in relation to new leases acquired for the establishment of new Puregold organic stores.

Current Liabilities

As at December 31, 2015 and 2014, total current liabilities amounted to P14,606 million or 24.8% of total assets, and P13,835 million or 25.8% of total assets, respectively, for an increase of P771 million or 5.6%

Accounts payable and accrued expenses decreased by P687 million or 6.6% primarily due to settlement of trade and nontrade liabilities as at the end of December 2015.

Loans payable increased by P1,774 million or 130.1% from P1,364 million in December 2014 to P3,138 million in December 2015 due to additional availment of short term loans during the period intended to augment general working capital requirements.

Income tax payable increased by P99 million from P660 million in December 2014 to P759 million in December 2015 due to recognition of tax liabilities due for the year related to income earned during the year ended December 31, 2015.

Due to related parties amounted to P30 million and P27 million for the year ended December 2015 and 2014, respectively. This pertains to royalty fees.

Current maturities of long-term debt decreased by P393 million due to settlement made as at December 31, 2015.

Other current liabilities decreased by P30 million or 8.5% from P357 million in December 2014 to P327 million in December 2015 relatively due principally to redemption of PERKS points earned by members and recognition of other income from promotions for the period.

Noncurrent Liabilities

As at December 31, 2015 and 2014, total noncurrent liabilities amounted to P5,824 million or 9.9% of total assets, and P5,598 million or 10.4% of total assets, respectively, for an increase of P226 million or 4.0%

Noncurrent accrued rent increased by P424 million or 20.5% from P2,069 million in December 2014 to P2,493 million in December 2015 due to recognition during the year of additional allocated rent expense and related liabilities pertaining to the remaining lease period covering long-term operating lease contracts entered into by the Parent Company and its subsidiaries in compliance with PAS 17 – Leases.

Deferred tax liabilities net of deferred tax assets decreased by P146 million or 22.7% due to increase in deferred tax assets arising from accrual of rent expense and recognition of retirement liability

Equity

As at December 31, 2015 and 2014, total equity amounted to P38,413 million or 65.3% of total assets and P34,233 million or 63.8% of total assets, respectively, for an increase of P4,180 million or 12.2% as at the end of the year.

Re-measurements of retirement liability - net of tax pertain to adjustments made in compliance to new accounting standard covering employee benefits. As at December 2015, the account increased by P41 million due to unrealized gain on re-measurement of defined benefit liability.

Retained earnings increased by P4,172 million or 39.1% coming from net after-tax income realized net of cash dividend declared during the current year.

Treasury stock increased by P36 million due to reacquired shares during the year pursuant to the parent company's share buy-back program.

Comparative Years 2014 and 2013

Current Assets

As at December 31, 2014 and 2013, total current assets amounted to P20,481 million or 38.2% of total assets, and P17,505 million or 35.3% of total assets, respectively, for an increase of P2,976 million or 17.0%.

Cash and cash equivalents as at December 31, 2014 amounted to P6,758 million or 12.6% of total assets and decreased by P1,460 million or 27.5% compared to previous year-end balance. Net cash utilization was attributable to increase in cash generated from operations net of settlement of trade and non-trade liabilities, payment of income taxes, payment for 2013 cash dividends and capital expenditures for 2014 new organic stores.

Short-term investments pertain to a 90-day placement with a commercial bank which already mature as at December 31, 2014.

Receivables net of allowance for impairment losses amounted to P1,946 million as at December 31, 2014 or 3.6% of total assets, with an increase of P729 million or 59.9% from P1,217 million in December 2013. The increase was due to increase in sales during the year.

Investments in trading securities amounted to P37 million as at December 31, 2014 from P29 million in December 2013, with an increase of P9 million or 29.7% coming from unrealized gain on change in fair market values.

Merchandise inventory amounted to P11,167 million or 20.8% of total assets at the end of December 2014. Total inventory increased by P1,725 million or 18.3% principally due to stocking requirements of existing and new operating stores.

Prepaid expenses and other current assets decreased by P446 million or 43.8% at the end of December 2014, due to application of input vat against output vat payable.

Noncurrent Assets

As at December 31, 2014 and 2013, total noncurrent assets amounted to P33,185 million or 61.8% of total assets, and P32,121 million or 64.7% of total assets, respectively, for an increase of P1,065 million or 3.3%.

Investments increased by P352 million or 80.0% from P440 million in December 2013 to P792 million in December 2014. This was due to equity investments made by the Parent Company in September 12, 2014 in a joint venture company, PG Lawson Company, Inc., established pursuant to a joint venture agreement with Lawson Asia Pacific Holdings PTE. LTD. and Lawson, Inc. for the establishment and operations of Lawson convenience stores in the Philippines.

Net book values of property and equipment increased by P618 million or 4.9% from P12,513 million in December 2013 to P13,132 million in December 2014. This was due to additional capital expenditures made for new organic stores established during the period.

Other noncurrent assets increased by P79 million or 6.7% from P1,167 million in December 2013 to P1,245 million in December 2014. This was primarily due to increase in security deposits in relation to new leases acquired for operation of new organic stores.

Current Liabilities

As at December 31, 2014 and 2013, total current liabilities amounted to P13,835 million or 25.8% of total assets, and P12,882 million or 26.0% of total assets, respectively, for a decrease of P953 million or 7.4%.

Accounts payable and accrued expenses decreased by P576 million or 5.2% primarily due to settlement of trade and nontrade liabilities and payment of cash dividend to stockholders.

Income tax payable increased by P99 million from P561 million in December 2013 to P660 million in December 2014 due to recognition of tax liabilities incurred net of settlements made during the period.

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

Current maturities of long term loans net of debt issue cost increased by P963 million due to reclassification of long-term loans that falls due within 1 year.

Other current liabilities increased by P55 million or 18.3% from P302 million in December 2013 to P357 million in December 2014 relatively due to recognition of VAT payable and promo funds during the period from various suppliers.

Noncurrent Liabilities

As at December 31, 2014 and 2013, total noncurrent liabilities amounted to P5,598 million or 10.4% of total assets, and P6,157 million or 12.4% of total assets, respectively, for a decrease of P559 million or 9.1%.

Noncurrent accrued rent increased by P469 million or 29.3% from P1,599 million in December 2013 to P2,069 million in December 2014 due to recognition of rent expense for lease contracts entered into by the Parent Company and its subsidiaries in compliance with PAS 17 – Leases.

Long term loans net of current maturities and debt issue cost decreased by P959 million or 27.8% due to current maturities reclassified under current liabilities.

Deferred tax liabilities net of deferred tax assets decreased by P178 million or 21.7% due to increase in deferred tax assets arising from accrual of rent expense.

Retirement benefits liability increased by P108 million or 37.6% from P287 million in December 2013 to P394 million in December 2014 due to recognition of obligation incurred based on the latest independent actuarial report in accordance with PAS 19 – Employee Benefits.

Equity

As at December 31, 2014 and 2013, total equity amounted to P34,233 million or 63.8% of total assets and P30,586 million or 61.6% of total assets, respectively, for an increase of P3,647 million or 11.9% as at the end of the year.

Remeasurements of retirement liability - net of tax pertain to adjustments made in compliance to new accounting standard covering employee benefits. As at December 2014, the account decreased by P39 million due to unrecognized actuarial loss during the year.

Retained earnings increased by P3,691 million or 52.8% coming from net after-tax income earned net of cash dividend declared during the year.

Cash Flows

The following table sets forth the Group's statements of cash flows for the last three (3) years ended December 31:

<i>(In millions)</i>	2015	2014	2013
Net cash provided by operating activities	P3,327	P3,472	P2,733
Net cash used in investing activities	(4,256)	(1,658)	(5,354)
Net cash provided by (used in) financing activities	417	(354)	(1,164)
Net increase (decrease) in cash and cash equivalents	P512	P1,460	(P3,786)

Cash flows from operating activities

Net cash provided by operating activities amounted to P3,327 million, P3,472 million and P2,733 million for the years ended December 31, 2015, 2014 and 2013, respectively. This was mainly due to increase in operating income driven by aggressive store expansion.

Cash flows from (used in) investing activities

Net cash used in investing activities amounted to P4,256 million, P1,658 million and P5,354 million for the years ended December 31, 2015, 2014 and 2013, respectively. Capital expenditures for acquisitions of equipment, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounted to P2,097 million in 2015 and P1,799 million in 2014.

Cash flows from (used in) financing activities

Net cash provided by financing activities amounted to P417 million in 2015 coming from additional loans availed during the year to augment working capital requirements. Net cash used in financing activities amounted to P354 million in 2014 which pertain to settlement of dividend payable.

Capital Expenditures

The table below sets out the Group's capital expenditures in 2015, 2014 and 2013.

<i>(In millions)</i>	For the years ended December 31,		
	2015	2014	2013
Office and store equipment	P455	P478	P1,182
Furniture and fixtures	131	219	413
Leasehold improvements	690	404	791
Building	317	58	450
Land	17	-	8
Construction in progress	487	641	1,074
Total	P2,097	P1,799	P3,918

The Group has historically funded its capital expenditures through internally generated funds derived from operating cash flows augmented by bank loans if and when necessary. The group's low leverage ratios would enable the parent company to raise additional equity or debt capital fundings from the capital market to finance strategic business acquisition possibilities should the opportunity arise.

Financial Risk Management Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

The Group's financial risk management objectives and policies are discussed in Note 28 of the Group's audited consolidated financial statements.

Material Events and Uncertainties

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

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

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

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

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

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

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

Financial Highlights:

SELECTED DATA IN STATEMENT OF COMPREHENSIVE INCOME:

<i>(in millions)</i>	2015	2014	2013
Net Sales	P97,172	P84,697	P73,177
Gross Income	19,375	17,323	14,903
Operating Expenses	12,225	10,845	9,449
Operating Income	7,150	6,478	5,454
Net Income	5,002	4,520	3,959

Net Sales

For the year ended December 31, 2015, the Group posted a consolidated net sales of P97,172 million for an increase of P12,474 million or a growth of 14.7% compared to P84,687 million in the same period of 2014. New stores put up in 2014 were fully operating in 2015 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores/outlets put up as well as acquisitions made during the same period. Like-for-like store sales performance yielded a 2.9% growth for the year.

Gross Income

Consolidated gross income improved by 11.8% from P17,323 million in 2014 to P19,373 million in 2015, driven by strong sales growth and continuous trade supports from suppliers, in support of the Group's steadfast store expansion.

Operating Expenses

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

Operating Income

Consolidated operating income sustained a 10.4% growth from P6,478 million in 2014 to P7,150 million in 2015. The management's effort to increase profitability and uphold operating costs further extend the growth of the Group in terms of income from operations.

Net Income

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

Liquidity and Capital Resources

Working Capital

The Group's working capital amounted to P8,408 million and P6,646 million for the years ended December 31, 2015 and 2014, respectively. Current ratio improved from 1.48 in 2014 to 1.58 in 2015 resulting from increase in cash flows from operation.

Capital Resources

The Group will continue to fund its capital expenditures and expansion program through internally generated funds derived from operating cash flows to be augmented by bank loans if and when necessary.

In addition, the Group's low leverage ratios would enable the parent company to raise additional equity and/or debt capital fundings from the capital market to finance future strategic business acquisition opportunities.

COVER SHEET

ANNEX "B"

For AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 8 1 3 7 5 4

COMPANY NAMEP U R E G O L D P R I C E C L U B , I N C .
A N D S U B S I D I A R I E S**PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)**9 0 0 R o m u a l d e z S t r e e t
P a c o , M a n i l a

Form Type

A A F S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address

www.coscocapital.com

Company's Telephone Number/s

(02) 548-7110

Mobile Number

No. of Stockholders

Annual Meeting (Month / Day)

April 1

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Teodoro A. Polinga

Email Address

tedpolinga@coscocapital.com.ph

Telephone Number/s

(02) 548-7110

Mobile Number

CONTACT PERSON'S ADDRESS

900 Romualdez, Street, Paco, Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

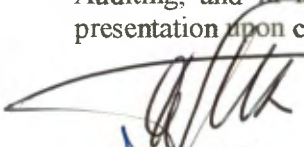


**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **Puregold Price Club, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


LUCIO L. CO
Chairman

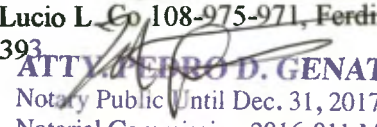

FERDINAND VINCENT P. CO
President


TEODORO A. POLINGA
Comptroller

Signed this 1st day of April 2016

SUBSCRIBED AND SWORN to before me, this 1st day of APR 2016 at _____; affiants exhibited to me their Tax Identification Numbers Lucio L. Co 108-975-971, Ferdinand Vincent P. Co 208-381-185, Teodoro A. Polinga 102-093-393.

Doc No. 441
Page No. 15
Book No. 20
Series of 2016 _____

CITY OF MANILA

ATTY. PEDRO D. GENATO
Notary Public Until Dec. 31, 2017
Notarial Commission 2016-011 Mla.
1150 Gen. Luna St., Ermita Manila
IBP# 1009339 Pasig 09-24-15 until 2017
PTR# 4930029 Mla. 1-4-2016
Roll# 12088, TIN# 132-436-687
MCLE Compl. No. V-0005232 until 4-14-19



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

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Internet www.kpmg.com.ph
E-Mail ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Puregold Price Club, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, 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, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Puregold Price Club, Inc. and Subsidiaries as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-A, Group A, valid until February 5, 2017

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-31-2013

Issued December 2, 2013; valid until December 1, 2016

PTR No. 5321515MD

Issued January 4, 2016 at Makati City

April 1, 2016

Makati City, Metro Manila

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

		December 31	
	<i>Note</i>	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	4	P6,246,493,017	P6,758,425,910
Receivables - net	6, 22	2,683,095,896	1,945,716,570
Merchandise inventory	7	12,982,832,312	11,166,772,652
Investments in trading securities	8	34,432,591	37,448,469
Prepaid expenses and other current assets	9	1,067,412,107	572,881,642
Total Current Assets		23,014,265,923	20,481,245,243
Noncurrent Assets			
Investments	10	868,090,606	791,502,186
Property and equipment - net	11	14,033,740,857	13,131,512,950
Intangibles and goodwill	12	19,521,120,953	18,016,918,782
Other noncurrent assets	13, 18	1,406,322,979	1,245,216,534
Total Noncurrent Assets		35,829,275,395	33,185,150,452
		P58,843,541,318	P53,666,395,695
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	14, 22, 25	P9,777,695,220	P10,464,531,775
Short-term loans payable	15	3,137,500,000	1,363,500,000
Income tax payable		759,221,135	659,988,778
Trust receipts payable		5,182,021	-
Due to related parties	22	29,769,412	26,654,003
Current maturities of long-term loans, net of debt issue costs	15	570,000,000	962,920,038
Other current liabilities	16	327,126,019	357,460,702
Total Current Liabilities		14,606,493,807	13,835,055,296
Noncurrent Liabilities			
Noncurrent accrued rent		2,492,888,910	2,068,506,537
Long-term loans - net of current maturities and debt issue costs	15	2,395,062,298	2,493,114,552
Deferred tax liabilities - net	24	496,007,867	641,886,305
Retirement benefits liability	23	439,871,673	394,338,336
Total Noncurrent Liabilities		5,823,830,748	5,597,845,730
Total Liabilities		20,430,324,555	19,432,901,026
Equity			
Capital stock	25	2,785,362,877	2,783,317,412
Additional paid-in capital	25	20,830,391,081	20,830,391,081
Remeasurements of retirement benefits liability - net of tax	23	(650,846)	(41,961,983)
Treasury stock, at cost	25	(56,702,280)	(20,810,608)
Retained earnings	25	14,854,815,931	10,682,558,767
Total Equity		38,413,216,763	34,233,494,669
		P58,843,541,318	P53,666,395,695

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2015	2014	2013
NET SALES				
Gross sales		P97,372,662,646	P84,884,298,033	P73,333,926,889
Sales discount		201,142,782	186,907,241	156,717,866
		97,171,519,864	84,697,390,792	73,177,209,023
COST OF SALES	7, 17, 30	80,682,778,314	69,937,457,572	60,478,204,793
GROSS PROFIT		16,488,741,550	14,759,933,220	12,699,004,230
OTHER OPERATING INCOME	19, 30	2,885,854,330	2,562,761,566	2,203,808,741
		19,374,595,880	17,322,694,786	14,902,812,971
OPERATING EXPENSES	20	12,225,076,570	10,844,793,213	9,448,865,132
INCOME FROM OPERATIONS		7,149,519,310	6,477,901,573	5,453,947,839
OTHER INCOME (EXPENSES)				
Interest income	4, 5	18,502,923	17,682,206	154,993,220
Interest expense	15	(70,303,437)	(47,261,984)	(26,462,693)
Share in results of joint ventures and associate	10	(10,911,580)	(17,273,851)	-
Others - net	8, 21	17,732,911	27,146,338	(6,372,265)
		(44,979,183)	(19,707,291)	122,158,262
INCOME BEFORE INCOME TAX		7,104,540,127	6,458,194,282	5,576,106,101
INCOME TAX EXPENSE				
Current		2,266,251,752	2,098,444,680	1,779,726,010
Deferred		(163,583,211)	(160,708,084)	(162,877,078)
	24	2,102,668,541	1,937,736,596	1,616,848,932
NET INCOME		5,001,871,586	4,520,457,686	3,959,257,169
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit liability	23	59,015,910	(56,344,990)	43,637,916
Income tax relating to items that will not be reclassified subsequently		(17,704,773)	16,903,497	(13,091,375)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		41,311,137	(39,441,493)	30,546,541
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P5,043,182,723	P4,481,016,193	P3,989,803,710
Basic and diluted earnings per share	27	P1.81	P1.63	P1.43

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31							
	Note	Capital Stock	Additional Paid-in Capital	Remeasurements of Retirement Liability	Retained Earnings	Treasury Stocks - At Cost	Total Equity
Balance at January 1, 2013		P2,766,406,250	P20,830,387,095	(P33,067,031)	P3,862,687,759	P -	P27,426,414,073
Total comprehensive income							
Net income for the year		-	-	-	3,959,257,169	-	3,959,257,169
Other comprehensive income - net of tax		-	-	30,546,541	-	-	30,546,541
Total comprehensive income		-	-	30,546,541	3,959,257,169	-	3,989,803,710
Transactions with owners of the Parent Company							
Issuance of ordinary shares/effect of merger with Gant and PJSI	25	16,911,162	3,986	-	-	(16,911,006)	4,142
Cash dividends	25	-	-	-	(829,921,924)	-	(829,921,924)
Total transactions with owners of the Parent Company		16,911,162	3,986	-	(829,921,924)	(16,911,006)	(829,917,782)
Balance at December 31, 2013		2,783,317,412	20,830,391,081	(2,520,490)	6,992,023,004	(16,911,006)	30,586,300,001
Total comprehensive income							
Net income for the year		-	-	-	4,520,457,686	-	4,520,457,686
Other comprehensive income - net of tax		-	-	(39,441,493)	-	-	(39,441,493)
Total comprehensive income		-	-	(39,441,493)	4,520,457,686	-	4,481,016,193
Forward							

Forward

Years Ended December 31

	Note	Capital Stock	Additional Paid-in Capital	Remeasurements of Retirement Liability	Retained Earnings	Treasury Stocks - At Cost	Total Equity
Transactions with owners of the Parent Company							
Treasury shares - at cost	25	P -	P -	P -	P -	(P3,899,602)	(P3,899,602)
Cash dividends	25	-	-	-	(829,921,923)	-	(829,921,923)
Total transactions with owners of the Parent Company		-	-	-	(829,921,923)	(3,899,602)	(833,821,525)
Balance at December 31, 2014		2,783,317,412	20,830,391,081	(41,961,983)	10,682,558,767	(20,810,608)	34,233,494,669
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	25	2,045,465	-	-	-	(2,045,465)	-
Treasury shares - at cost	25	-	-	-	-	(33,846,207)	(33,846,207)
Cash dividends	25	-	-	-	(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		P2,785,362,877	P20,830,391,081	(P650,846)	P14,854,815,931	(P56,702,280)	P38,413,216,763

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P7,104,540,127	P6,458,194,282	P5,576,106,101
Adjustments for:				
Depreciation and amortization	11, 12, 20	1,279,462,358	1,185,445,441	964,360,038
Rent expense in excess of billings		424,382,373	469,137,739	478,462,675
Retirement benefits cost	20, 23	104,549,247	76,327,067	69,884,447
Interest expense	15	70,303,437	47,261,984	26,462,693
Share in results of joint ventures and associate	10	10,911,580	17,273,851	-
Unrealized valuation loss (gain) in trading securities	8, 21	3,852,970	(8,581,093)	6,079,145
Loss (gain) on disposal of property and equipment	21	409,068	73,974	(354,777)
Derecognition of property and equipment		-	-	5,405,007
Unrealized foreign exchange gain		-	(3,077)	-
Dividend income	21	(921,431)	(821,351)	(972,331)
Interest income	4, 5	(18,502,923)	(17,682,206)	(154,993,220)
Gain on insurance claim	21	(38,721,770)	(26,143,753)	-
Operating income before changes in working capital		8,940,265,036	8,200,482,858	6,970,439,778
Decrease (increase) in:				
Receivables		(691,183,537)	(728,657,804)	(253,178,256)
Investments in trading securities		(837,092)	-	-
Merchandise inventory		(1,816,059,660)	(1,725,244,030)	(2,829,987,282)
Prepaid expenses and other current assets		(511,571,005)	34,968,149	(502,971,135)
Increase (decrease) in:				
Accounts payable and accrued expenses		(528,106,689)	(578,788,322)	769,823,049
Trust receipts payable		5,182,021	(16,543,219)	8,413,190
Due to related parties	22	3,115,409	(52,709,004)	3,689,788
Other current liabilities		(30,334,683)	85,494,582	48,176,769
Cash generated from operations		5,370,469,800	5,219,003,210	4,214,405,901
Interest received		18,502,923	17,682,206	154,993,220
Interest paid		(69,763,200)	(146,768,235)	(175,640,924)
Income taxes paid		(1,991,807,098)	(1,618,091,928)	(1,462,122,666)
Net cash provided by operating activities		3,327,402,425	3,471,825,253	2,731,635,531

Forward

Years Ended December 31				
	Note	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	11	(P2,513,405,067)	(P1,692,374,794)	(P3,738,736,049)
Additions to investments	10	(87,500,000)	(369,000,800)	(431,896,077)
Increase in intangibles	12	(1,529,554,502)	(28,558,800)	(505,458,751)
Maturity (acquisition) of short-term investments	5	-	500,000,000	(500,000,000)
Increase in other noncurrent assets		(161,106,445)	(78,525,743)	(178,963,886)
Contributions paid in plan assets	23	-	(25,000,000)	-
Dividends received		921,431	821,351	972,331
Proceeds from insurance claim		(38,721,771)	26,143,753	-
Proceeds from disposal of property and equipment		73,499,166	8,187,857	1,170,421
Net cash used in investing activities		(4,255,867,188)	(1,658,307,176)	(5,352,912,011)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term loans payable	15	(393,700,000)	-	(5,000,000,000)
Payment of short-term loans payable		(703,500,000)	-	-
Availment of loans payable	15	-	-	3,448,881,500
Availment of short-term loans payable	15	2,377,500,000	480,000,000	375,000,000
Payments for treasury shares	25	(33,846,207)	(3,899,602)	-
Cash dividends paid	25	(829,921,923)	(829,921,923)	-
Increase in due to related parties		-	-	11,796,254
Net cash provided by (used in) financing activities		416,531,870	(353,821,525)	(1,164,322,246)
EFFECT OF EXCHANGE RATE CHANGES ON CASH				
		-	3,077	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(511,932,893)	1,459,699,629	(3,785,598,726)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	6,758,425,910	5,298,726,281	9,084,325,007
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P6,246,493,017	P6,758,425,910	P5,298,726,281

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 two hundred eighty-two (282) operating stores and sixteen (16) food service stalls. Twenty-eight (28) stores and ten (10) food service stalls were newly opened in 2015. Its registered office is located at 900 Romualdez Street, Paco, Manila.

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

	Percentage of Ownership	
	2015	2014
Kareila Management Corporation (KMC) ^(a)	100	100
S&R Pizza (Harbor Point), Inc. ^(e)	100	-
PPCI Subic, Inc. (PSI) ^(b)	100	100
Company E Corporation (Company E) ^(c)	-	100
Entenso Equities Incorporated (Entenso) ^(d)	100	100
Goldtempo Company Incorporated (Goldtempo) ^(f)	100	-
Daily Commodities, Inc. (DCI) ^(g)	100	-
First Lane Super Traders Co., Inc. (FLSTCI) ^(g)	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 10).

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

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

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

(e) A wholly-owned subsidiary of KMC incorporated on May 25, 2015 (see Note 10).

(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 10).

(g) Acquired on February 3, 2015 through Entenso through a stock acquisition (see Note 10).

All subsidiaries are engaged in the same business as the Parent Company except for Entenso whose primary purpose is to invest in, purchase, subscribed for, or otherwise acquire and own, hold, use, develop, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real and personal property of every kind of description.

Acquisition of Company E

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

Acquisition of Entenso

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

Acquisition of Subic

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

Acquisition of Kareila

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

Merger with Company E

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

Salient features of the Plan of Merger are as follows:

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on April 1, 2016.

Basis of Measurement

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

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

Functional and Presentation Currency

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

Use of Judgments, Estimates and Assumptions

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

Judgments

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

Classifying Financial Instruments

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

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

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

Determining the Fair Value of Financial Instruments

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

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

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

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

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

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

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

The determination of fair values of the Group's financial instruments is presented in Note 29 to 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, 2015 and 2014, the carrying amount of its investments in joint ventures amounted to P432.40 million and P392.73 million, respectively (see Note 10).

Distinction between Investment Property and Property and Equipment

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

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

Assessing Lease Agreements

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

Operating Leases - Group as a Lessee

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

Rent expense recognized in profit or loss amounted to P2,276.21 million, P2,104.78 million and P1,786.50 million in 2015, 2014 and 2013, respectively (see Notes 18 and 20).

Operating Leases - Group as a Lessor

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

Rent income recognized in profit or loss amounted to P370.81 million, P356.99 million and P266.55 million in 2015, 2014 and 2013, respectively (see Notes 18 and 19).

Assessment of Computer Software and Licenses and Leasehold Rights

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

Estimates

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

Estimating Allowance for Impairment Losses on Receivables

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

The allowance for impairment losses on receivables amounted to P7.46 million as at December 31, 2015 and 2014. In 2015 and 2014, the Group did not recognize an additional allowance for impairment losses on receivables because the Group believes that all outstanding receivables are recoverable. The carrying amount of receivables amounted to P2,683.10 million and P1,945.72 million as at December 31, 2015 and 2014, respectively (see Note 6).

Estimating Net Realizable Value (NRV) of Merchandise Inventory

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

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

The carrying amount of merchandise inventory amounted to P12,982.83 million and P11,166.77 million as at December 31, 2015 and 2014, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment

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

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

Depreciation and amortization recognized in profit or loss amounted to P1,254.11 million, P1,172.92 million and P953.98 million in 2015, 2014 and 2013, respectively (see Note 11 and 20). Property and equipment, net of accumulated depreciation, amounted to P14,033.74 million and P13,131.51 million as at December 31, 2015 and 2014, respectively (see Note 11).

Estimating Useful Lives of Computer Software and Licenses and Leasehold Rights

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

Amortization recognized in profit or loss amounted to P25.35 million, P12.53 million and P10.38 million in 2015, 2014 and 2013, respectively (see Note 12 and 20). Net carrying value of computer software and licenses and leasehold rights amounted to P237.92 million and P226.46 million as at December 31, 2015 and 2014, respectively (see Note 12).

Impairment of Goodwill, Trademarks and Customer Relationships with Indefinite Lives

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

The carrying amounts of goodwill, trademarks and customer relationships with indefinite useful lives amounted to P19,283.20 million and P17,790.45 million as at December 31, 2015 and 2014, respectively. (see Note 12).

Estimating Realizability of Deferred Tax Assets

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

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

The Group has recognized deferred tax assets amounting to P893.30 million and P745.65 million as at December 31, 2015 and 2014, respectively (see Note 24).

Impairment of Non-financial Assets

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

There were no impairment losses on property and equipment and other non-financial assets recognized in 2015, 2014 and 2013.

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 P439.87 million and P394.34 million as at December 31, 2015 and 2014, respectively (see Note 23).

Estimating Provisions and Contingencies

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

As at December 31, 2015 and 2014, the Group does not have any contingent legal or constructive obligation that requires provision.

3. Summary of Significant Accounting Policies

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

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

The Group has adopted the following relevant and applicable amendments starting January 1, 2015 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments did not have any significant impact on the Group's consolidated financial statements.

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles -* Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:
 - *Classification and measurement of contingent consideration (Amendments to PFRS 3).* The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to PAS 32, *Financial Instruments: Presentation*, rather than to any other PFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss.

Consequential amendments are also made to PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9, *Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration.

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

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

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Group has not applied these new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective July 1, 2016

- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to PFRS 11).* The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

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

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

The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

- *Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28)* clarifies that:

- A subsidiary that provides investment-related services should not be consolidated if the subsidiary itself is an investment entity.
- The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

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

- Information should not be obscured by aggregating or by providing immaterial information.
- Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
- An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Effective January 1, 2018

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

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

- 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.

However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

To be Adopted on January 1, 2019

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

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15.

The Group will assess the impact of the above new and revised standards and amendments to standards on the separate financial statements upon their adoption on their respective effective dates.

Basis of Consolidation

Business Combinations Under Common Control

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

Business Combinations other than Under Common Control

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

The Group measures goodwill at the acquisition date as:

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

Subsidiaries

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

Loss of Control

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

Transactions Eliminated on Consolidation

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, 2015 and 2014.

Financial Assets at FVPL

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

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

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

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

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

The Group's investments in trading securities are classified under this category (see Note 8).

Loans and Receivables

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

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

The Group's cash and cash equivalents, short-term investments, receivables and security deposits are included in this category (see Notes 4, 5, 6, 13, 22, 28 and 29).

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

AFS Financial Assets

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

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

Other Financial Liabilities

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

The Group's accounts payable and accrued expenses, short-term loans and long-term loans payable, due to related parties, trust receipts payable, other current liabilities and noncurrent accrued rent are included in this category (see Notes 14, 15, 16, 22, 28 and 29).

Debt Issue Costs

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

Offsetting Financial Instruments

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

Fair Value Measurements

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations without any deduction for transaction costs.

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

Merchandise Inventory

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

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

Property and Equipment

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

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

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

	Number of Years
Building	15 - 30
Furniture and fixtures	3 - 20
Office and store equipment	2 - 15
Leasehold improvements	15 - 20 or term of the lease, whichever is shorter

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

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

Investments in Joint Ventures 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 are separately acquired by the Group that has finite useful life is measured at cost less accumulated amortization and impairment losses, if any.

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

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

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

Goodwill

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

Impairment of Assets

Financial Assets

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

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

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

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

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

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

AFS Financial Assets

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

All impairment losses are recognized in profit or loss.

Non-financial Assets

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

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

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

Other Comprehensive Income

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

Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at fair value of consideration received or receivable, net of sales discounts. The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of Goods* is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Accordingly, advances received prior to delivery of goods are recorded as unearned revenues and are earned upon physical delivery and acceptance by customer. Unearned revenues are classified as current liabilities.
- *Concession Income* pertains to the fixed percentage income from sales of concessionaire supplier's goods sold inside the store. The income is recognized when earned.
- *Membership Income* refers to fees from members wherein such fees permit only membership, and all other services or products are paid for separately. The fee is recognized as revenue when no uncertainty as to its collectability exists.
- *Interest Income* is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.
- *Rent Income* from property and equipment is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income, over the term of the lease.
- *Dividends* are recognized when the Group's right as a shareholder to receive the payment is established.
- *Other Income* from display, demonstration or sampling, endcap or palette income, merchandise support and miscellaneous income are recognized when earned.

Cost of 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.

Group as Lessor

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

Related Parties

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

Foreign Currency Transactions and Translation

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

Segment Reporting

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

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

Provisions and Contingencies

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

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

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

Basic and Diluted Earnings Per Share (EPS)

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

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account as at December 31 consists of:

	<i>Note</i>	2015	2014
Cash on hand		P735,964,181	P1,276,463,479
Cash in banks	28, 29	1,577,093,521	1,686,627,200
Money market placements	28, 29	3,933,435,315	3,795,335,231
	29	P6,246,493,017	P6,758,425,910

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 1.60% to 2.08% in 2015 and from 1.00% to 2.30% in 2014. Interest income earned from cash in banks and money market placements amounted to P18.50 million and P16.58 million in 2015 and 2014, respectively.

5. Short-term Investments

Short-term investments are placements with a commercial banking institution, with maturity of more than 90 days. The Group engages in investing activities in order to maximize earnings on available cash funds. These investments earn interest at the prevailing market rate of 1.85% in 2013. These investments matured on February 14, 2014.

Interest income related to these investments amounted to nil, P1.10 million and P2.03 million in 2015, 2014 and 2013, respectively.

6. Receivables

This account as at December 31 consists of:

	<i>Note</i>	2015	2014
Trade receivables:	a, 22	P1,471,239,823	P1,562,909,878
Non-trade receivables	b, 22	1,219,318,400	390,269,019
		2,690,558,223	1,953,178,897
Less allowance for impairment losses on trade receivables from third parties	a	7,462,327	7,462,327
	28, 29	P2,683,095,896	P1,945,716,570

- a. Majority of trade receivables pertain to credit card transactions which are due within 30 days or its normal credit period. The Group partners only with reputable credit card companies affiliated with major banks. Management believes that except for the accounts provided with allowance for impairment losses amounting to P7.46 million as at December 31, 2015 and 2014, all other receivables are collectible and therefore, no additional allowance is necessary.

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

7. Merchandise Inventory

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

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

The Group’s merchandise inventory as at December 31, 2015 and 2014 amounted to P12,982.83 million and P11,166.77 million, respectively.

Inventory charged to the cost of sales amounted to P80,682.78 million, P69,937.46 million and P60,478.20 million in 2015, 2014 and 2013, respectively (see Note 17).

8. Investments in Trading Securities

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

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

	<i>Note</i>	2015	2014
Cost			
Balance at beginning of the year		P14,518,906	P14,518,906
Additions		837,092	-
		15,355,998	14,518,906
Valuation Adjustments			
Balance at beginning of the year		22,929,563	14,348,470
Unrealized valuation gain (loss) on financial assets at FVPL for the year	<i>21</i>	(3,852,970)	8,581,093
		19,076,593	22,929,563
	<i>29</i>	P34,432,591	P37,448,469

9. Prepaid Expenses and Other Current Assets

This account as at December 31 consists of:

	2015	2014
Input value added tax (VAT)	P569,408,292	P280,733,494
Prepaid expenses	457,252,639	261,552,911
Deferred input VAT	40,751,176	30,547,582
Creditable withholding tax	-	47,655
	P1,067,412,107	P572,881,642

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

The details of prepaid expenses are as follows:

	Note	2015	2014
Rent	18	P318,620,368	P163,695,929
Taxes and licenses		64,648,390	62,483,007
Insurance		47,019,465	33,465,009
Advances to contractors		16,160,000	-
Repairs and maintenance		5,818,365	774,111
Others		4,986,051	1,134,855
		P457,252,639	P261,552,911

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.

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

10. Investments; Acquisitions of Subsidiaries

Investments

The details of investments are as follows:

	Note	2015	2014
Investments in joint ventures	a	P432,398,357	P392,726,149
Investment in associate	b, 30	427,813,089	390,896,877
AFS financial assets	c, 30	7,879,160	7,879,160
		P868,090,606	P791,502,186

a. *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.

The movement in carrying amount of investment with PLCI follows:

	2015	2014
Balance at beginning of the year	P350,000,000	P -
Additions	-	350,000,000
Share in net loss	(31,723,087)	-
	P318,276,913	P350,000,000

The summarized financial information of PLCI follows:

	2015	2014
Current assets	P400,307,281	P351,519,635
Noncurrent assets	145,084,817	1,397,723
Current liabilities	86,708,140	7,968,993
Noncurrent liabilities	4,002,655	-
Total equity	535,215,424	344,948,365
Income	55,408,813	412
Operating expenses	95,675,874	5,052,047
Net loss	40,267,061	5,051,635

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:

	2015	2014
Balance at beginning of the year	P42,726,149	P60,000,000
Additions	87,500,000	-
Share in net loss	(16,104,705)	(17,273,851)
	P114,121,444	P42,726,149

b. Investment in Associate

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

On October 31, 2014, the Group through 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 of SRS follow:

	2015	2014
Carrying amount		
Balance at beginning of the year	P390,896,877	P371,896,077
Additions	-	19,000,800
Share in net income	36,916,212	-
	P427,813,089	P390,896,877

c. AFS Financial Assets

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

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

Acquisitions of Subsidiaries

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

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 2015, the Parent Company made an additional investment to Entenso amounting to P1.7 billion. Entenso is in the process of filing application for an 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, 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 during the annual stockholders' meeting with its salient features discussed in Note 1. In April 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 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.

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

December 31, 2015

Type of Dividend	Date of Dividend Declaration	Shareholders of Record as of	Amount
Cash	December 18, 2015	December 18, 2015	P475,000,000

December 31, 2014

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

Gant Group of Companies Incorporated (Gant)

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

On February 26, 2013, the SEC approved the application for the merger of the Parent Company with PJSI and Gant. Upon approval by the SEC of the merger, the existence of Gant ceased and all its assets and liabilities were merged with the Parent Company.

Puregold Junior Supermarket, Inc. (PJSI)

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

PPCI Subic Inc.

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

11. Property and Equipment

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

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, December 31, 2013	P4,231,472,913	P1,623,975,137	P4,432,771,663	P4,708,292,733	P386,605,815	P370,079,836	P15,753,198,097
Additions	57,807,129	219,006,347	477,764,554	403,806,560	-	641,081,199	1,799,465,789
Reclassifications	214,020,598	(2,162,566)	101,137,600	518,987,886	-	(831,983,518)	-
Disposals	-	(4,081,772)	(11,713,281)	-	-	-	(15,795,053)
Write-off	(2,321,427)	(24,822)	(4,475,827)	-	-	-	(6,822,076)
Balance, December 31, 2014	4,500,979,213	1,836,712,324	4,995,484,709	5,631,087,179	386,605,815	179,177,517	17,530,046,757
Transfer in	-	101,245,684	264,808,649	107,455,093	-	-	473,509,426
Additions	316,900,386	130,651,366	454,673,843	690,487,865	17,134,337	628,817,024	2,238,664,821
Reclassifications	97,748,986	23,683,528	144,025,168	142,622,232	-	(408,079,914)	-
Disposals	(196,429)	(2,761,009)	(14,682,613)	(2,935,742)	-	-	(20,575,793)
Adjustment	-	-	-	(231,348,170)	-	(142,136,607)	(373,484,777)
Balance, December 31, 2015	4,915,432,156	2,089,531,893	5,844,309,756	6,337,368,457	403,740,152	257,778,020	19,848,160,434
Accumulated Depreciation and Amortization							
Balance, December 31, 2013	407,916,067	464,193,510	1,855,298,846	512,563,078	-	-	3,239,971,501
Depreciation and amortization	149,805,329	138,154,710	640,344,222	244,613,343	-	-	1,172,917,604
Reclassifications	207,103	(628,085)	(131,360)	552,342	-	-	-
Disposals	-	(1,736,070)	(8,100,052)	-	-	-	(9,836,122)
Write-off	(45,140)	(12,260)	(4,461,776)	-	-	-	(4,519,176)
Balance, December 31, 2014	557,883,359	599,971,805	2,482,949,880	757,728,763	-	-	4,398,533,807
Transfer in	815,531	37,401,315	121,453,274	36,371,352	-	-	196,041,472
Depreciation and amortization	157,929,518	149,688,596	680,421,199	266,070,714	-	-	1,254,110,027
Reclassifications	73,491	(24,615)	(1,231)	(47,645)	-	-	-
Disposals	(147,321)	(443,113)	(2,627,625)	(251,911)	-	-	(3,469,970)
Adjustment	-	(2,487)	-	(30,793,272)	-	-	(30,795,759)
Balance, December 31, 2015	716,554,578	786,591,501	3,282,195,497	1,029,078,001	-	-	5,814,419,577
Carrying Amount							
December 31, 2014	P3,943,095,854	P1,236,740,519	P2,512,534,829	P4,873,358,416	P386,605,815	P179,177,517	P13,131,512,950
December 31, 2015	P4,198,877,578	P1,302,940,392	P2,562,114,259	P5,308,290,456	P403,740,152	P257,778,020	P14,033,740,857

As at December 31, 2015 and 2014, the Parent Company has outstanding payable for property additions amounting to P4.89 million and P3.27 million, respectively (see Note 14). In addition, interest expense related to loans amounting to P92.22 million and P99.51 million had been capitalized (see Note 15).

Transfer-in pertains to property and equipment of acquired and merged entities upon its acquisition as mentioned in Note 1.

The adjustments resulted from the evaluation made by the Parent Company to its subsidiaries' property and equipment. The Group's assets were aligned with Parent Company's asset recognition policy. Assets were either recorded into its proper classification or expensed if it did not meet the criteria of capitalization.

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

No impairment loss was recognized in 2015 and 2014.

12. Intangibles and Goodwill

This account as at December 31 consists of:

	<i>Note</i>	2015	2014
Goodwill	<i>a</i>	P14,684,084,973	P13,191,340,917
Trademark	<i>b</i>	3,709,660,547	3,709,660,547
Customer relationship	<i>b</i>	889,452,981	889,452,981
Computer software and licenses - net	<i>c</i>	171,737,656	156,511,790
Leasehold rights	<i>c</i>	66,184,796	69,952,547
		P19,521,120,953	P18,016,918,782

a. Goodwill

The goodwill represents the excess of the total acquisition cost over the fair value of the identifiable assets and liabilities assumed on the acquisition of the following Subsidiaries.

2012	<i>Note</i>	Cost
PJSI	<i>a.1</i>	P11,370,121
Kareila	<i>a.2</i>	12,079,473,835
Gant	<i>a.3</i>	742,340,804
		12,833,184,760
2013		
Merger of PJSI and Gant to Parent Company	<i>a.1, a.4</i>	4,142
Company E	<i>a.5</i>	358,152,015
		358,156,157
2015		
DCI and FLSTCI	<i>a.6</i>	690,904,317
Budgetlane Supermarkets	<i>a.7</i>	801,839,739
		1,492,744,056
		P14,684,084,973

Details are as follows:

a.1. Acquisition of PJSI

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

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

a.2. Acquisition of Kareila

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

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

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

The purchase price of P4,599.11 million represents the fair value of S&R trade name and customer relationship determined after considering various factors and performing valuation methodologies including the independent valuation study and analysis prepared by an independent valuation specialist (see Note 12.b).

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

a.3. Acquisition of Gant

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

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

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

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

a.4. Merger of PJSI and Gant

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

a.5. Acquisition of Company E

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

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

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

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

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

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

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

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

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P690.90 million.

a.7. 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

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P801.84 million.

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

b. Trademark and Customer Relationship

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

Impairment of Goodwill, Trademark and Customer Relationship

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

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

c. Leasehold Rights and Computer Software and Licenses

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

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

	Computer Software and Licenses	Leasehold Rights	Total
Cost			
Balance, January 1, 2014	P204,283,187	P75,355,005	P279,638,192
Additions	28,558,800	-	28,558,800
Balance, December 31, 2014	232,841,987	75,355,005	308,196,992
Transfer in	9,387,434	-	9,387,434
Additions	79,290,672	-	79,290,672
Adjustments	(51,867,660)	-	(51,867,660)
Balance, December 31, 2015	269,652,433	75,355,005	345,007,438
Accumulated Amortization			
Balance, January 1, 2014	67,570,110	1,634,708	69,204,818
Amortization	8,760,087	3,767,750	12,527,837
Balance, December 31, 2014	76,330,197	5,402,458	81,732,655
Amortization	21,584,580	3,767,751	25,352,331
Balance, December 31, 2015	97,914,777	9,170,209	107,084,986
Carrying Amount			
December 31, 2014	P156,511,790	P69,952,547	P226,464,337
December 31, 2015	P171,737,656	P66,184,796	P237,922,452

13. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	2015	2014
Security deposits	18, 28, 29	P1,279,453,908	P1,112,085,830
Prepaid rent	18	94,950,257	107,119,274
Accrued rent income	18, 24	31,918,814	26,011,430
		P1,406,322,979	P1,245,216,534

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

14. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2015	2014
Trade	22, 28, 29	P6,061,498,485	P7,494,845,630
Non-trade	22, 28, 29	1,662,591,104	1,140,273,247
Dividends payable	25, 28, 29	829,614,422	829,921,923
Withholding taxes payable		154,284,063	120,624,270
Accrued expenses:	28, 29		
Manpower agency services		434,949,042	624,401,819
Inventory		396,500,821	-
Utilities		115,318,825	100,498,395
Professional fees		50,152,059	53,500,738
Rent		17,797,247	42,865,245
Interest		5,165,690	4,625,453
Fixed asset acquisition	11	4,886,038	3,265,087
Others		44,937,424	49,709,968
		P9,777,695,220	P10,464,531,775

The average credit period on purchases of certain goods from suppliers is 60 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame (see Note 28).

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

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

15. Loans Payable

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:

	<i>Note</i>	2015	2014
Short-term note based on 2.375%	i	P2,247,500,000	P -
Short-term note based on 2.5%	i	890,000,000	75,000,000
Short-term note based on 2.75%	i	-	780,000,000
Short-term note based on 3.75%	ii	-	508,500,000
	28, 29	P3,137,500,000	P1,363,500,000

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

2015			
Execution Date	Maturity Date	Interest Rate	Principal
November 2, 2015	February 1, 2016	2.375%	P587,500,000
November 5, 2015	February 3, 2016	2.375%	500,000,000
August 7, 2015	February 4, 2016	2.500%	490,000,000
December 27, 2015	February 26, 2016	2.500%	400,000,000
December 14, 2015	March 14, 2016	2.375%	250,000,000
November 16, 2015	February 15, 2016	2.375%	240,000,000
December 9, 2015	January 7, 2016	2.375%	200,000,000
November 10, 2015	February 9, 2016	2.375%	150,000,000
December 17, 2015	January 18, 2016	2.375%	150,000,000
December 15, 2015	January 14, 2016	2.375%	100,000,000
October 5, 2015	January 4, 2016	2.375%	70,000,000
			P3,137,500,000

Principal amounts will be due on lump sum on their maturity dates. Extension and/or renewal of the notes are granted by the financial institution to the Parent Company. The proceeds of these loans will be used for lot acquisition.

- ii. On July 25, 2013, Kareila entered into an unsecured short-term loan amounting to P508,500,000 at 3.75% per annum, with a local bank. As at December 31, 2015, the loan amount was fully settled.

b. Long-term Loans Payable

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

	Note	2015	2014
Unsecured Peso Denominated			
Fixed rate note based on 3.5%	i	P1,995,062,298	P1,993,114,552
Fixed rate note based on 3.25%	ii	570,000,000	962,920,038
Fixed rate note based on 3.5%	iii	400,000,000	500,000,000
	28, 29	2,965,062,298	3,456,034,590
Less current portion		570,000,000	962,920,038
		P2,395,062,298	P2,493,114,552

- i. On June 13, 2013, the Parent Company issued a P2 billion promissory note. Interest is computed as 3.50% per annum of the principal amount. The debt has a term of 1,803 days and will be paid on a lump sum on May 21, 2018.
- ii. On April 14, 2013, the Parent Company signed and executed a two (2) year promissory note amounting to P963.70 million. The debt bears a 3.25% interest rate per annum and shall be repaid in a single payment on maturity. As at December 31, 2015, a total of P393.70 million of the loan amount was already paid. The balance was renewed at 2.375% interest rate per annum and payable on January 11, 2016.

The movements in debt issue costs are as follows:

	2015	2014
Balance at beginning of the year	P7,665,410	P11,985,067
Amortizations	(2,727,708)	(4,319,657)
Balance at end of year	P4,937,702	P7,665,410

- iii. On July 23, 2013, Kareila signed and executed a P500.00 million unsecured loan agreement with a local bank. The loan shall be repaid in lump sum after five (5) years. Its related interest is at 3.50% per annum. As at December 31, 2015, P100.00 million of the loan amount was already paid.

Repayment Schedule

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

Year	2015	2014
2016	P570,000,000	P1,463,700,000
2018	2,000,000,000	2,500,000,000
	P2,570,000,000	P3,963,700,000

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

Interest expense from these loans amounting to P92.22 million and P99.51 million were capitalized in 2015 and 2014 and recognized in building and leasehold improvements under property and equipment accounts (see Note 11). Remaining interest expense that was charged to profit and loss amounted to P70.30 million and P47.26 million in 2015 and 2014, respectively. In 2013, interest expense amounted to P26.46 million.

16. Other Current Liabilities

This account consists of:

	Note	2015	2014
Deposits	18, 28, 29	P137,849,852	P142,421,155
Unredeemed gift certificates		89,430,184	66,275,200
VAT payable		46,178,424	-
Promotion fund		35,578,785	76,806,772
Loyalty and rewards		15,100,407	68,810,370
Others	28, 29	2,988,367	3,147,205
		P327,126,019	P357,460,702

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

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

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

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

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

17. Cost of Sales

This account for the years ended December 31 consists of:

	<i>Note</i>	2015	2014	2013
Beginning inventory	7	P11,166,772,652	P9,441,528,622	P6,611,541,340
Add: Purchases		82,498,837,974	71,662,701,602	63,110,118,405
Transfer-in		-	-	198,073,670
Total goods available for sale		93,665,610,626	81,104,230,224	69,919,733,415
Less ending inventory	7	12,982,832,312	11,166,772,652	9,441,528,622
		P80,682,778,314	P69,937,457,572	P60,478,204,793

Transfer-in pertains to the beginning inventory of Company E upon acquisition on January 16, 2013.

18. Lease Agreements

As Lessee

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

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

Rent expense included under "Operating expenses" in the consolidated statements of comprehensive income amounted to P2,276.21 million, P2,104.78 million and P1,786.50 million in 2015, 2014 and 2013, respectively (see Note 20).

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

	2015	2014	2013
Due within one year	P1,875,675,972	P1,722,593,756	P1,469,380,211
Due more than one year but not more than five years	7,989,235,677	7,233,318,698	6,349,303,571
Due more than five years	32,171,881,713	31,255,977,987	29,141,917,253
	P42,036,793,362	P40,211,890,441	P36,960,601,035

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten (1-10) years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 16).

Rent income recognized in profit or loss in 2015, 2014 and 2013 amounted P370.81 million, P356.99 million and P266.55 million, respectively (see Note 19).

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

	2015	2014	2013
Due within one year	P221,218,520	P245,144,093	P166,095,531
Due more than one year but not more than five years	296,252,472	423,962,002	202,308,094
Due more than five years	167,316,410	414,448,300	74,703,673
	P684,787,402	P1,083,554,395	P443,107,298

19. Other Operating Income

This account for the years ended December 31 consists of:

	<i>Note</i>	2015	2014	2013
Concession income		P1,386,647,815	P1,331,097,191	P1,217,539,576
Display allowance		537,081,303	368,698,644	382,669,532
Rent income	18	370,812,459	356,990,187	266,545,190
Membership income		361,239,476	298,232,302	212,081,835
Service income		90,098,825	78,165,268	56,054,303
Listing fee		30,958,036	35,910,199	-
Demo/sampling income		8,554,355	8,553,169	9,178,862
Miscellaneous		100,462,061	85,114,606	59,739,443
	30	P2,885,854,330	P2,562,761,566	P2,203,808,741

Concession income pertains to the fixed percentage income from sales of concessionaire suppliers' goods sold inside the store.

Display allowance refers to the income received from the suppliers for the additional space for display of the items in the selling area such as end cap modules and mass display.

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

Service income pertains to income generated from promotional activities.

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

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

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.

20. Operating Expenses

This account for the years ended December 31 consists of:

	<i>Note</i>	2015	2014	2013
Rent	18	P2,276,213,516	P2,104,782,325	P1,786,495,896
Manpower agency services		1,818,316,051	1,596,554,761	1,510,729,008
Communication, light and water		1,599,878,300	1,554,629,012	1,397,122,064
Depreciation and amortization	11, 12	1,279,462,358	1,185,445,441	964,360,038
Salaries and wages		1,356,514,106	1,124,395,675	989,630,188
Security services		733,128,869	639,600,815	573,145,415
Concession expense	22	475,968,505	478,759,373	440,291,377
Taxes and licenses		444,684,977	377,879,666	315,318,054
Store and office supplies		436,061,717	373,809,062	334,579,945
Janitorial and messengerial services		351,641,717	306,475,798	283,020,617
Repairs and maintenance		314,858,570	241,257,899	206,026,100
Other selling expenses		147,127,670	105,247,408	99,467,360
Advertising and marketing		134,729,472	91,376,338	74,986,481
Insurance		132,564,247	121,312,667	98,569,434
Retirement benefits cost	23	104,549,247	76,327,067	69,884,447
SSS/Medicare and HDMF contributions		99,979,981	84,527,310	71,637,855
Representation and entertainment		94,017,565	46,761,197	22,234,208
Input VAT allocable to exempt sales		81,815,742	73,214,131	67,050,046
Reward point expense		66,870,872	9,008,618	-
Transportation		47,947,159	33,217,085	27,110,036
Fuel and oil		42,388,068	56,379,263	41,501,748
Royalty	22	37,211,342	33,317,078	29,479,140
Professional fee		17,225,662	37,317,414	21,503,383
Miscellaneous		131,920,857	93,197,810	24,722,292
	30	P12,225,076,570	P10,844,793,213	P9,448,865,132

21. Others

This account for the years ended December 31 consists of:

	<i>Note</i>	2015	2014	2013
Gain on insurance claim		P38,721,770	P26,143,753	P -
Dividend income		921,431	821,351	972,331
Gain (loss) on disposal of property and equipment	11	(409,068)	(73,974)	354,777
Foreign exchange loss		(558,444)	(795,048)	(104,252)
Unrealized valuation gain (loss) on trading securities	8	(3,852,970)	8,581,093	(6,079,145)
Bank charges		(17,089,808)	(7,530,837)	(1,515,976)
		P17,732,911	P27,146,338	(P6,372,265)

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

22. Related Party Transactions

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

Related Party	Year	Note	Amount of Transactions for the Year	Outstanding Balances					Due to Related Parties	Terms	Conditions
				Trade Receivable (see Note 6)	Non Trade Receivable (see Note 6)	Trade Payable (see Note 14)	Non Trade Payable (see Note 14)				
Parent	2015		P423,103,355	P -	P -	P -	P423,103,355	P -		Due and	Unsecured
Dividends	2014		423,260,180	-	-	-	423,260,180	-		demandable	
Other Related Parties*	2015	a	584,060,827	-	-	-	14,380,058	-		Due and	Unsecured
Rent expense	2014		494,154,165	-	-	-	11,420,981	-		demandable	
	2013		331,045,172	-	-	-	-	15,655,785			
Concession expense	2015	b	475,968,505	-	-	-	-	-		Due and	Unsecured
	2014		478,759,373	-	-	-	-	-		demandable	
	2013		440,291,377	-	-	-	42,428,386	-			
Purchase of merchandise	2015	c	1,112,612,797	-	-	-	-	23,550,996		Due and	Unsecured
	2014		558,007,306	-	-	-	494,342,576	-		demandable	
	2013		477,399,031	-	-	-	382,525,442	-			
Sale of merchandise	2015	c	77,553,903	19,407,252	-	-	-	-		Due and	Unsecured; no impairment
	2014		62,468,269	11,650,098	-	-	-	-		demandable	
	2013		53,541,192	-	-	-	-	-			
Other income	2015	c	2,520,217	-	2,520,217	-	-	-		Due and	Unsecured; no impairment
	2014		208,847	-	208,847	-	-	-		demandable	
	2013		-	-	-	-	-	-			
Security deposits received	2015	a/c	11,662,010	-	-	-	79,545	-		Due and	Unsecured
	2014		-	-	-	-	-	-		demandable	
	2013		12,188,220	-	-	-	-	12,188,220			
Repairs and maintenance	2015	c	1,584,026	-	-	-	223,308	-		Due and	Unsecured
	2014		1,151,197	-	-	-	244,470	-		demandable	
	2013		-	-	-	-	-	493,344			
Forward											

Related Party	Year	Note	Amount of Transactions for the Year	Outstanding Balances					Due to Related Parties	Terms	Conditions
				Trade Receivable (see Note 6)	Non Trade Receivable (see Note 6)	Trade Payable (see Note 14)	Non Trade Payable (see Note 14)				
Utilities expense	2015	c	P198,153,616	P -	P -	P -	P16,631,640	P -	-	Due and demandable	Unsecured
	2014		216,373,776	-	-	-	27,760,108	-	-		
	2013		155,816,980	-	-	-	-	-	251,599		
Communications	2015	c	310,120	-	-	-	11,167	-	-	Due and demandable	Unsecured
	2014		445,821	-	-	-	-	-	-		
	2013		8,587,703	-	-	-	-	-	2,316,958		
Management fee	2015	c	13,314,921	-	-	-	5,332,398	-	-	Due and demandable	Unsecured
	2014		16,783,413	-	-	-	1,297,890	-	-		
	2013		3,780	-	-	-	-	-	3,780		
Supplies	2015		8,618,045	-	-	-	2,093,305	-	-	Due and demandable	Unsecured
Fix asset	2015		1,086,240	-	-	-	600,000	-	-	Due and demandable	Unsecured
Employee benefits	2015		-	-	-	-	-	-	-		
	2014		3,433	-	-	-	-	-	-		
	2013		16,069	-	-	-	-	-	-		
Key Management Personnel											
Royalty expense	2015	d	37,211,342	-	-	-	-	-	29,769,412	Due and demandable	Unsecured
	2014		33,317,078	-	-	-	-	-	26,654,003		
	2013		29,479,140	-	-	-	-	-	24,625,864		
Rent expense	2015		21,821,520	-	-	-	-	-	-		
	2014		21,821,520	-	-	-	-	-	-		
	2013		-	-	-	-	-	-	-		
Short-term benefits	2015		80,383,420	-	-	-	-	-	-		
	2014		73,344,955	-	-	-	-	-	-		
	2013		83,311,531	-	-	-	-	-	276,461		
Post-employment benefits	2015		-	-	-	-	-	-	-		
	2014		-	-	-	-	-	-	-		
	2013		6,384,368	-	-	-	-	-	-		
Total	2015			P19,407,252	P2,520,217	P494,342,576	P462,454,776		P29,769,412		
Total	2014			P11,650,098	P208,847	P424,953,828	P521,534,663		P26,654,003		
Total	2013			P -	P -	P164,245,634	P -		P79,363,007		

*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.

c. Other Significant Transactions

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

d. Royalty Agreement

On August 15, 2011, the Group ("licensee") entered into a license agreement with a stockholder ("licensor") for its use of trademark and logo. The licensee will pay the licensor royalties in an amount equivalent to 1/20 of 1% of net sales for the period of thirty (30) years, renewable upon mutual written consent of the parties. These royalty fees and payables are unsecured, non-interest bearing and due and demandable.

23. Retirement Benefits Liability

The Parent Company has an unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2015. 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:

	2015	2014
Present value of defined benefit obligation	P465,327,210	P419,338,336
Fair value of plan assets	(25,455,537)	(25,000,000)
Retirement benefits liability	P439,871,673	P394,338,336

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

	2015	2014
Balance at January 1	P419,338,336	P286,666,279
Included in Profit or Loss		
Current service cost	86,869,563	61,217,054
Interest cost	18,802,184	15,110,013
	105,671,747	76,327,067
Included in other Comprehensive Income		
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	(61,216,545)	67,115,683
Experience adjustment	1,533,672	(10,770,693)
	(59,682,873)	56,344,990
Balance at December 31	P465,327,210	P419,338,336

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

	2015	2014
Beginning of the year	P25,000,000	P -
Interest income	1,122,500	-
Contributions during the year	-	25,000,000
Remeasurement loss	(666,963)	-
End of the year	P25,455,537	P25,000,000

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

	2015	2014
Remeasurements of retirement liability at beginning of year	P59,945,690	P3,600,700
Actuarial loss (gain) due to increase in defined benefit obligation	(59,015,910)	56,344,990
Remeasurements of retirement liability at end of year	P929,780	P59,945,690

The cumulative remeasurements of retirement benefits liability, net of deferred income taxes, amounted to P0.65 million and P41.96 million as at December 31, 2015 and 2014, respectively, as presented in the consolidated statements of changes in equity.

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

	2015	2014
Cash in banks	P18,853,459	P18,852,000
Debt instruments - government bonds	6,528,968	6,148,000
Trust fees payable	(12,727)	-
Other	85,837	-
	P25,455,537	P25,000,000

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

	2015	2014
Discount rate	4.89%	4.49%
Future salary increases	9.00%	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:

2015

	Increase	Decrease
Discount rate (1% movement)	(P55,684,579)	P50,070,316
Future salary increase rate (1% movement)	54,281,683	(43,277,285)

2014

	Increase	Decrease
Discount rate (1% movement)	(P83,130,504)	P73,210,320
Future salary increase rate (1% movement)	97,750,415	(53,141,601)

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:

	2015				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P465,327,210	P86,522,673	P12,059,433	P19,337,430	P55,125,810

	2014				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P419,338,336	P65,573,311	P11,938,049	P13,062,633	P40,572,629

On February 17, 2014, the Parent Company entered into a multi-employer retirement plan agreement with a trust company. The Parent Company made an initial cash contribution of P25 million pesos.

The Group does not expect to contribute to the plan in 2016.

24. Income Taxes

The components of income tax expense are as follows:

	2015	2014	2013
Current tax expense	P2,266,251,752	P2,098,444,680	P1,779,726,010
Deferred tax benefit	(163,583,211)	(160,708,084)	(162,877,078)
	P2,102,668,541	P1,937,736,596	P1,616,848,932

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:

	2015	2014	2013
Income before income tax	P7,104,540,127	P6,458,194,282	P5,576,106,101
Income tax expense at the statutory income tax rate:			
30%	P2,106,319,798	P1,920,234,079	P1,652,610,610
5%	4,173,707	5,985,042	3,371,132
Income tax effects of:			
Non-deductible other expenses	24,460,093	16,320,267	5,456,766
Non-deductible interest expense	2,237,395	2,174,360	1,464,948
Changes in unrecognized DTA/DTL	-	1,133,280	735,141
Dividend income subjected to final tax	(276,429)	(246,405)	(291,699)
Interest income subjected to final tax	(5,550,877)	(5,813,627)	(46,497,966)
Non-taxable income	(28,695,146)	(2,050,400)	-
	P2,102,668,541	P1,937,736,596	P1,616,848,932

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:

	2015		2014	
	Amount	DTA (DTL)	Amount	DTA (DTL)
Accrued rent expense*	P2,478,843,163	P743,652,948	P2,058,313,543	P617,494,063
Retirement benefits liability	463,941,893	139,182,568	359,392,646	107,817,794
NOLCO	26,105,892	7,831,768	-	-
Allowance for impairment losses on receivables	7,462,327	2,238,698	7,462,327	2,238,698
Actuarial losses	929,780	278,934	59,945,690	17,983,707
Recognition of DTA	389,730	116,919	389,730	116,919
DTA	2,977,672,786	893,301,835	2,485,503,936	745,651,181
Fair value of intangible assets from business combination	(4,599,113,528)	(1,379,734,058)	(4,599,113,528)	(1,379,734,058)
Accrued rent income	(31,918,814)	(9,575,644)	(26,011,430)	(7,803,429)
DTL	(4,631,032,342)	(1,389,309,702)	(4,625,124,958)	(1,387,537,487)
Net	(P1,653,359,556)	(P496,007,867)	(P2,139,621,022)	(P641,886,305)

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

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied.

Deferred tax asset includes P5.04 million net deferred tax assets transferred by Company E to the Company as a result of the merger. It includes the following:

	Amount	DTA (DTL)
Accrued rent expense	P18,086,366	P5,425,910
Accrued rent income	(74,892)	(22,468)
Net	(P18,011,474)	P5,403,442

The Group has unrecognized net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) amounting to P38.43 million and P3.39 million, respectively. This was transferred through the merger of Gant with the Parent Company. As at December 31, 2015, the remaining balance of NOLCO and MCIT was fully applied against the taxable income.

Additional NOLCO was also recognized relating to Entenso in 2013.

25. Equity

Capital Stock and Additional Paid-in Capital

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

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

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

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

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:

	2015	2014	2013
Authorized - 3,000,000,000 shares (P1 par value)			
Issued and outstanding			
Balance at beginning of year	2,766,306,406	2,766,406,406	2,766,406,250
Stock issuances during the period	2,045,465	-	16,911,162
Balance at end of year	2,768,351,871	2,766,406,406	2,783,317,412
Treasury shares	(2,970,465)	(100,000)	(16,911,006)
	2,765,381,406	2,766,306,406	2,766,406,406

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30.0 million shares within one year from the approval or until November 4, 2015. As at December 31, 2015, the Parent Company already bought P37.75 million worth of shares and was classified in the Parent Company's book as treasury shares.

Retained Earnings

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

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

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.

The summary of dividends declared is as follows:

December 31, 2015

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	December 18, 2015	January 8, 2016	February 18, 2016	P829,614,422

December 31, 2014

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

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.

26. Segment Information

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

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

27. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	2015	2014	2013
Net income (a)	P5,001,871,585	P4,520,457,686	P3,959,257,169
Weighted average number of ordinary shares (b)	2,766,513,606	2,766,406,406	2,766,406,380
Basic/diluted EPS (a/b)	P1.81	P1.63	P1.43

As at December 31, 2015, 2014 and 2013, the Group has no dilutive debt or equity instruments.

28. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Other Market Price Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

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

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

	<i>Note</i>	2015	2014
Cash in banks and cash equivalents	4	P5,510,528,836	P5,481,962,431
Receivables - net	6	2,683,095,896	1,945,716,570
Security deposits*	13	1,279,453,908	1,112,085,830
		P9,473,078,640	P8,539,764,831

*Included under noncurrent assets.

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

2015	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	P5,510,528,836	P -	P -	P -	P -	P5,510,528,836
Receivables - net	1,446,116,202	498,332,856	243,391,336	495,210,778	7,462,327	2,690,513,499
Security deposits	1,279,453,908	-	-	-	-	1,279,453,908
	P8,236,098,946	P498,332,856	P243,391,336	P495,210,778	P7,462,327	P9,480,496,243

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

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

- a. Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.
- b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.
- c. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

Liquidity Risk

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

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

As at December 31, 2015					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P9,621,952,021	P9,621,952,021	P9,621,952,021	P -	P -
Short-term loans payable	3,137,500,000	3,145,362,083	3,145,362,083	-	-
Due to related parties	29,769,412	29,769,412	29,769,412	-	-
Long-term debt including current portion	2,965,062,298	2,739,969,202	640,413,646	2,099,555,556	-
Other current liabilities**	140,838,219	140,838,219	140,838,219	-	-
Noncurrent accrued rent	2,492,888,910	2,492,888,910	18,684,176	272,574,829	2,201,629,905

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

*excluding statutory payables to the government

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

	2015	2014	2013
Financial assets (cash deposits):			
Cash in banks	P1,577,093,521	P1,686,627,200	P1,718,822,826
Money market placement	3,933,435,315	3,795,335,231	2,861,368,983
	P5,510,528,836	P5,481,962,431	P4,580,191,809

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P7.71 million, P7.67 million and P6.41 million, for the years ended December 31, 2015, 2014 and 2013, respectively. A 2% decrease in interest rates would have had the equal but opposite effect, on the basis that all other variables remain constant.

Other Market Price Risk

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

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

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

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

The Group is not subject to externally imposed requirements.

29. Financial Instruments

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

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

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

The carrying amounts of cash and cash equivalents, short-term investments and receivables approximate fair values due to the relatively short-term maturities of these financial instruments. In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Investments in Trading Securities and Available-for-Sale Financial Assets

The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates. Unquoted equity securities and derivative instruments linked to unquoted stock are carried at cost less impairment.

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

The carrying amounts of accounts payable and accrued expenses, due to related parties, and short-term loans approximate fair value due to the relatively short-term maturities of these financial instruments. The difference between the carrying amounts and fair values of noncurrent accrued rent and other current liabilities is considered immaterial by management.

Long-term Loans including Current Maturities

The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Carrying amounts approximate fair values.

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

As at December 31, 2015 and 2014, the Group has not introduced any movement among Levels 1, 2 and 3 classifications.

30. Reclassification of Accounts

Certain accounts in 2014 financial statements have been reclassified to conform with the 2015 financial statements presentation as follows:

	2014		
	As Previously Presented	Reclassification	As Reclassified
Statement of Profit or Loss			
Cost of sales	P70,213,048,992	(P275,591,420)	P69,937,457,572
Other operating income	(2,838,352,986)	275,591,420	(2,562,761,566)
	(P67,374,696,006)	P -	(P67,374,696,006)



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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, 2015 and 2014, included in this Form 17-A, and have issued our report thereon dated April 1, 2016.

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 the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Financial Soundness Indicator
- 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-A, Group A, valid until February 5, 2017

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-31-2013

Issued December 2, 2013; valid until December 1, 2016

PTR No. 5321515MD

Issued January 4, 2016 at Makati City

April 1, 2016
Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SEC Supplementary Schedules and Other Documents
December 31, 2015

Table of Contents

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	N/A
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Intangible Assets - Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	6
I	Map of Conglomerate	8
J	Schedule of Philippine Financial Reporting Standards	9
K	Financial Soundness Indicator	17
L	Reconciliation of Retained Earnings Available for Dividend Declaration	18

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule A
FINANCIAL ASSETS
December 31, 2015

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, 2015	Income (loss) Received
Cash and cash equivalents	-	P6,246,493,017	P6,246,493,017	P18,502,923*
Receivables - net	-	2,683,095,896	2,683,095,896	-
Investment in trading securities	996,324	34,432,591	34,432,591	(3,852,970)**
Available-for-sale financial assets	726,166	7,879,160	7,879,160	-
Security deposits	-	1,279,453,908	P1,279,453,908	-
	<u>1,722,490</u>	<u>P10,251,354,572</u>	<u>P10,251,354,572</u>	<u>P14,649,953</u>

Notes:

* This represents interest income earned, net of final tax

** This represents unrealized loss on valuation of investment

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A's INVESTMENT IN TRADING SECURITIES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2015

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)		
Puregold Price Club, Inc.		
Aboitiz Power	280,000	P11,676,000
Banco De Oro	96,133	10,093,965
RCBC	124,500	4,108,500
Metrobank	83,191	6,696,876
PNB	20,000	1,040,000
Philex Mining Corp.	100,000	440,000
GMA PDR	50,000	361,000
Natl Reinsurance Co of the Phil	200,000	-
PHILEX PETROLEUM Corporation	12,500	16,250
	966,324	P34,432,591

Available-for-sale		
Puregold Price Club, Inc.		
Manila Electric Company	726,166	7,261,660
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, 2015**

Name of related parties	Balance at beginning of year	Balance at end of year
First Lane Super Traders Co., Inc.	P -	P164,647,780
Kareila Management Corporation	2,807,770	1,437,259
Daily Commodities, Inc.	-	92,718,296
	P2,807,770	P258,803,335

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule D
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2015

Description	Beginning balance	Additions	Amortization	Ending balance
Goodwill	P13,191,340,917	P1,492,744,056	P -	P14,684,084,973
Trademark	3,709,660,547	-	-	3,709,660,547
Customer relationship	889,452,981	-	-	889,452,981
Computer software - net	156,511,790	36,810,446	(21,584,580)	171,737,656
Leasehold rights	69,952,547	-	(3,767,751)	66,184,796
Total	P18,016,918,782	P1,529,554,502	(P25,352,331)	P19,521,120,953

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule E
LONG-TERM DEBT
DECEMBER 31, 2015

Agent / Lender	Type	Total Outstanding Balance	Amount Shown as Current	Amount Shown as Noncurrent
Metropolitan Bank & Trust Company	Fixed rate note @ 3.5%	P1,995,062,298	P -	P1,993,114,552
Metropolitan Bank & Trust Company	Fixed rate note @ 3.25%	570,000,000	570,000,000	-
Metropolitan Bank & Trust Company	Fixed rate note @ 3.5%	400,000,000	-	400,000,000
Total		P2,965,062,298	P570,000,000	P2,395,062,298

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule H
CAPITAL STOCK
DECEMBER 31, 2015

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 shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares outstanding	3,000,000,000	2,765,381,406	-	1,410,867,188	452,644,768	901,869,450

- 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, 2015, the Parent Company already reacquired P37.75 million worth of shares and was classified in the Parent Company's book as treasury shares.
- g. 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. Considering 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.

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

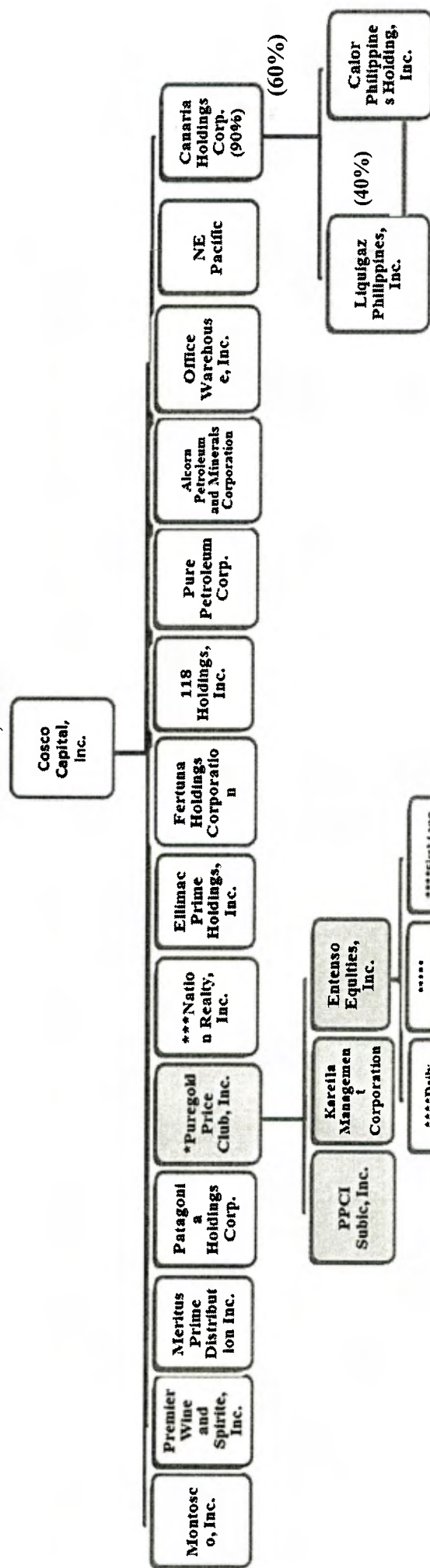
Stockholders	Related Parties	Directors, Officers and Employees	Others	Total
Cosco Capital Inc.	1,410,867,188	-	-	1,410,867,188
Deutsche Bank Manila	-	-	358,893,299	358,893,299
The Hongkong and Shanghai Banking Corp Ltd.	-	-	242,357,131	242,357,131
Lucio Co	-	211,088,022	-	211,088,022
Susan Co	-	178,242,585	-	178,242,585
Citibank NA	-	-	90,639,021	90,639,021
Standard Chartered Bank	-	-	53,507,881	53,507,881
Ferdinand Vincent P. Co	-	26,709,460	-	26,709,460
Pamela Justine P. Co	-	26,709,460	-	26,709,460
COL Financial Group, Inc.	-	-	15,291,600	15,291,600
Social Security System - Filipino	-	-	14,807,300	14,807,300
Banco De Oro - Trust Banking Group - Filipino	-	-	12,468,150	12,468,150
Camille Clarisse P. Co	-	8,155,288	-	8,155,288
Citibank Fao PHIL AXA Chinise Tycoon	-	-	7,086,800	7,086,800
Government Service Insurance System	-	-	6,576,000	6,576,000
Wealth Securities, Inc.	-	-	6,129,600	6,129,600
BPI Securities Corporation	-	-	6,029,038	6,029,038
MBTC TBG - Filipino	-	-	5,717,100	5,717,100
United Coconut Planters Bank - Trust Banking Group	-	-	5,200,000	5,200,000
MBTC - Trust Banking Group	-	-	5,002,971	5,002,971
Katrina Marie P. Co	-	1,000,026	-	1,000,026
Leonardo B. Dayao	-	739,925	-	739,925
Marilyn V. Pardo	-	1	-	1
Edgardo G. Lacson	-	1	-	1
Others	-	-	72,163,559	72,163,559
Total	1,410,867,188	452,644,768	901,869,450	2,765,381,406

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule I

MAP OF CONGLOMERATE

DECEMBER 31, 2015



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

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

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

****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.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule J

List of Philippine Financial Reporting Standards

December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		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			✓
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'			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments		✓	
	<i>Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39</i>		✓	
PFRS 9 (2014)	Financial Instruments	✓		
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, 2015		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	✓		
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			✓
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	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
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	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes		✓	
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations			✓
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements			✓
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment property - asset acquisition or business combination?			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
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			✓

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

Indicator	As of		Formula
	December 31, 2015	December 31, 2014	
Current Ratio	1.58x	1.40x	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Cash Ratio	0.43x	0.37x	$\frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$
Debt-to-Equity Ratio	0.53x	0.49x	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Debt-to-Asset Ratio	0.35x	0.33x	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Asset-to-Equity Ratio	1.53x	1.49x	$\frac{\text{Total Asset}}{\text{Total Equity}}$
Interest Rate Coverage Ratio	102.06x	251.59x	$\frac{\text{Earnings before interest and taxes}}{\text{Interest Expense}}$
Net Income Margin	5.15%	4.65%	$\frac{\text{Net Income}}{\text{Net Revenues}}$
Investment Ratio	0.01x	0.38	$\frac{\text{Total Investment and Advances}}{\text{Total Asset}}$
Return on Assets	8.89%	8.75%	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Earnings per Share	P1.81	P1.63	$\frac{\text{Net Income}}{\text{Weighted Average Number of Ordinary Shares}}$

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, 2015)*

Unappropriated retained earnings, beginning	P7,618,597,720
Adjustments:	
Adjustment in previous year's reconciliation	-
Unappropriated retained earnings, as adjusted, beginning	7,618,597,720
Net income based on the face of audited financial statements	3,468,561,548
Less: Non-actual/unrealized income, net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred tax benefit	140,332,413
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	3,608,893,961
Add (Less):	
Dividend declarations during the year	(829,614,422)
Appropriations of Retained Earnings during the year	-
Release of appropriations during the year	-
Effects of prior period adjustments	-
Treasury shares	(35,891,672)
Unappropriated retained earnings, as adjusted, ending	P10,361,985,587

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

Date of Report	April 13, 2016
SEC Identification Number	A199813754
BIR Tax Identification Number	201-277-095
Name of Issuer as specified in its charter	Puregold Price Club, Inc.
Address of principal office and postal code	No. 900 Romualdez St., Paco, Manila
Industry Classification Code	
Issuer's telephone number	523-3055
Former name	Not Applicable
Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA	Number of Outstanding shares – 2,765,381,406
Indicate the item numbers reported therein	Other Matter/Event

TABLE OF CONTENTS

A. BOARD MATTERS	
1) BOARD OF DIRECTORS	4
(a) Composition of the Board	4
(b) Directorship in Other Companies	6
(c) Shareholding in the Company	7
2) CHAIRMAN AND CEO	7
3) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS	8
4) CHANGES IN THE BOARD OF DIRECTORS	9
5) ORIENTATION AND EDUCATION PROGRAM	10
B. CODE OF BUSINESS CONDUCT & ETHICS	
1) POLICIES	11
2) DISSEMINATION OF CODE	12
3) RELATED PARTY TRANSACTIONS	12
(a) Policies and procedures	12
(b) Conflict of Interest	13
4) ACCESS TO INFORMATION	13
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS	13
6) ALTERNATIVE DISPUTE RESOLUTION	14
C. BOARD MEETINGS & ATTENDANCE	
1) SCHEDULE OF MEETINGS	14
2) DETAILS OF ATTENDANCE OF DIRECTORS	14
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS	14
4) ACCESS TO INFORMATION	15
5) EXTERNAL ADVICE	16
6) CHANGES IN EXISTING POLICIES	16
D. REMUNERATION MATTERS	
1) REMUNERATION PROCESS	16
2) REMUNERATION POLICY	17
3) AGGREGATE REMUNERATION	17
4) STOCK RIGHTS, OPTION AND WARRANTS	18
5) REMUNERATION OF MANAGEMENT	18
E. BOARD COMMITTEES	
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES	19
2) COMMITTEE MEMBERS	21
3) CHANGES IN COMMITTEE MEMBERS	23
4) WORK DONE AND ISSUES ADDRESSED	23
5) COMMITTEE PROGRAM	24

F. RISK MANAGEMENT SYSTEM	
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM	24
2) RISK POLICY	24
3) CONTROL SYSTEM	25
G. INTERNAL AUDIT AND CONTROL	
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM	26
2) INTERNAL AUDIT	26
(a) Role, Scope and Internal Audit Function	26
(b) Appointment/Removal of Internal Auditor	27
(c) Reporting Relationship with the Audit Committee	27
(d) Resignation, Re-assignment and Reasons	27
(e) Progress against Plans, Issues, Findings and Examination Trends	28
(f) Audit Control Policies and Procedures	29
(g) Mechanisms and Safeguards	29
H. RIGHTS OF STOCKHOLDERS	
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETING	34
2) TREATMENT OF MINORITY STOCKHOLDERS	39
I. INVESTORS RELATIONS PROGRAM	39
J. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES	40
K. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL	40
L. INTERNAL BREACHES AND SANCTIONS	41

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation: Seven directors inclusive of two independent directors
Actual Number of Directors for 2013, 2014 and 2015: Five regular directors and two independent directors

a. Composition of the Board

Director	Date 1 st elected	Date last elected	Elected when	Years (term)
Lucio L. Co (ED) No principal Nominator: Leonardo Dayao No relation with Nominator	September 1998	May 12, 2015	Annual Stockholders' Meeting (ASM)	17
Susan P. Co (ED) No principal Nominator: Leonardo Dayao No relation with Nominator	September 1998	May 12, 2015	ASM	17
Leonardo B. Dayao (ED) No principal Nominator: Lucio L. Co No relation with Nominator	September 1998	May 12, 2015	ASM	17
Ferdinand Vincent P. Co (ED) No principal Nominator: Leonardo Dayao No relation with Nominator	July 2003	May 12, 2015	ASM	13
Pamela Justine P. Co (NED) No principal Nominator: Leonardo Dayao No relation with Nominator	July 2003	May 12, 2015	ASM	13
Marilyn V. Pardo (ID) No principal Nominator: Lucio L. Co No relation with Nominator	October 2011	May 12, 2015	ASM	5
Edgardo G. Lacson (ID) No principal Nominator: Lucio L. Co No relation with Nominator	October 2011	May 12, 2015	ASM	5

Brief summary of the corporate governance policy that the board of directors has adopted with emphasis on the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

1. On October 5, 2012, the Board of Directors adopted the Revised Manual on Corporate Governance issued by the Securities and Exchange Commission which contains stockholders' rights and protection of minority stockholders interests, including the following basic rights of stockholders under the Philippine Corporation Code:

1. Right to vote on all matters that require their consent or approval;
2. Right to inspect corporate books and records;
3. Right to information;
4. Right to dividends; and
5. Appraisal right.

2. On July 25, 2014 the Board approved the Revised Manual on Corporate Governance adopting therein the changes and amendments recommended by the Securities and Exchange Commission in accordance with SEC Memorandum Circular No. 9, particularly strengthening the Company's principles on Disclosure and Transparency and extending the term 'stockholders' to all 'stakeholders'.

3. On March 4, 2016, the Board adopted the following Amendments to the Articles of Incorporation and By-Laws with the intention of improving the corporate governance practices of the Company:

Amendment of Article 6, Articles of Incorporation

"SIXTH. That the number of directors of the Corporation shall be NINE (9) comprising of six (6) regular members and three (3) independent directors."

Amendment of Section 6 Article III of the Company's By Laws:

"Section 6. Quorum. – Two-thirds (2/3) of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, provided that atleast one independent director be present. Every decision of atleast majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of majority of all members of the Board."

Amendment of Section 4 (1) Article II of the Company's By Laws:

"Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Office of the Corporate Secretary by personal delivery or mail at least thirty (30) days prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purposes for which the meeting is called."

How often does the Board review and approve the vision and mission?

As often as needed.

b. Directorship in Other Companies

(i) Directorship in the Company's Group

The following are the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman)
Lucio L. Co	Kareila Management Corporation, PPCI Subic, Inc. and Entenso Equities, Inc	All Executive Directorship
Susan P. Co	Kareila Management Corporation, PPCI Subic, Inc. and Entenso Equities, Inc.	All Executive Directorship
Ferdinand Vincent P. Co	Kareila Management Corporation, PPCI Subic, Inc. and Entenso Equities, Inc.	Non-Executive Directorship
Pamela Justine P. Co	Kareila Management Corporation PPCI Subic, Inc. and Entenso Equities, Inc.	Executive Non-Executive Directorships

(ii) Directorship in Other Listed Companies

The following are the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman)
Lucio L. Co	Cosco Capital, Inc. Da Vinci Capital Holdings, Inc.	Chairman, Executive; Chairman, Executive
Leonardo B. Dayao	Cosco Capital, Inc.	President, Executive

(iii) Relationship within the Company and its Group

Relationship among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Lucio L. Co	Susan P. Co	Wife

	Ferdinand Vincent P. Co Pamela Justine P. Co	Son Daughter
Susan P. Co	Lucio L. Co Ferdinand Vincent P. Co Pamela Justine P. Co	Husband Son Daughter
Ferdinand Vincent P. Co	Lucio L. Co Susan P. Co Pamela Justine P. Co	Father Mother Sister
Pamela Justine P. Co	Lucio L. Co Susan P. Co Ferdinand Vincent P. Co	Father Mother Brother

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines.

None.

Shareholding in the Company

The following are the members of the company's Board of Directors who directly and indirectly own shares in the company:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Lucio L. Co	Direct	Filipino	211,088,022	7.6%
Common	Susan P. Co	Direct	Filipino	178,242,585	6.4%
Common	Leonardo B. Dayao	Direct	Filipino	739,925	0.027%
Common	Ferdinand Vincent P. Co	Direct	Filipino	26,709,434	0.97%
Common	Pamela Justine P. Co	Direct	Filipino	26,709,434	0.97%
Common	Edgardo G. Lacson	Direct	Filipino	1	0.00000%
Common	Marilyn V. Pardo	Direct	Filipino	1	0.00000%

6) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and President? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes / x /

No / /

Name of the Chair and the CEO:

Chairman of the Board	Lucio L. Co
President	Ferdinand Vincent P. Co

(b) Roles, Accountabilities and Deliverables

Define and clarify the notes, accountabilities and deliverables of the Chairman and President.

	Chairman	President
Role	☐ Plans growth of the Company ☐ Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chair may deem necessary; ☐ Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Management and the directors; ☐ Maintain the qualitative and timely lines of communication and information between the Board and Management.	☐ The person in-charge of the daily operation of the business. ☐ Heads the management team ☐ Seeks approval of the board on corporate matters that affect the operation of the company ☐ Budgets and goals of the company are met
Accountabilities	Over-all operation of the Company, execution of the short and long term plan and maintain financial soundness of the Company	☐ Budget or target of the company is attained ☐ Financial soundness of the Company
Deliverables	☐ Execution of yearly audited financial statements and quarterly financial reports and the annual report. ☐ Execution of documents necessary for board meetings, minutes of the board meetings, and other documents necessary for the normal operation of the Company.	☐ Business plan at the beginning of the year ☐ Audited Financial Statements ☐ Financial reviews

7) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board is mandating the management to continuously hire professionals and encourage them to constantly undergo training and seminars.

Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board?

Yes, the Company ensures diversity of experience and background of directors in the board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, the Company requires that a Director must have practical understanding the business of the Company.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

The Company will establish clear policy on the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company adopts the definition of "independence" consistent with the SEC regulations as "one person, who apart from his fees and shareholdings, is independent of management and free from any business or other relationship which would, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director".

The Company complies with the said definition as can be proven by the fact that its current independent directors, Mr. Edgardo G. Lacson and Mrs. Marilyn V. Pardo, are indeed independent from the management and free from any business or other relationship which would, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out their responsibilities as independent directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company complies with Securities and Regulation Code that limits to five continuous service of independent directors and two cooling off period before bringing back an independent director.

**8) Changes in the Board of Directors
(Executive, Non-Executive and Independent Directors)**

(a) Resignation/Death/Removal

None

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

None.

Voting Result of the 2015 Annual Stockholders' Meeting:

On May 12, 2015 ASM, stockholders holding 2,274,803,424 (82%) common shares attended the meeting, in person or by proxy. They voted on each of the following agenda items:

Resolution	Approving	Dissenting	Abstaining
Ratification of Corporate Acts made by the Board of Directors and minutes of the previous meetings	2,269,708,634 (82.05%)	5,123,100	-
Approval of the Presidents Report and Audited Financial Statements	2,262,650,934 (81.79)	10,538,300	1,642,500
Election of Directors			
Lucio L. Co	2,237,031,870 (80.86%)	36,169,064	1,630,800
Susan P. Co	2,174,045,774 (78.59%)	99,155,160	1,630,800
Leonardo B. Dayao	2,237,031,870 (80.86%)	36,169,064	1,630,800
Ferdinand Vincent P. Co	2,257,938,543 (81.62%)	16,893,191	-
Pamela Justine P. Co	2,238,948,770 (80.93%)	35,882,964	-
Marilyn V. Pardo	2,263,940,534 (81.84%)	10,840,000	51,200
Edgardo G. Lacson	2,254,923,443 (81.51%)	19,857,200	51,200
Appointment of External Auditor	2,254,540,634 (81.50%)	14,711,900	5,579,200

9.) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.
- (b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years:
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Every year the company is conducting Corporate Governance seminar for all members of the Board of Directors. The seminar is conducted by an accredited seminar provider of the SEC. Please see below the seminar attended by the Directors and key officers of the Company in the past several years.

1. December 14, 2011
Corporate Governance Seminar
Dusit Hotel, Makati City
Philippine Securities Consultancy Corporation

2. February 5 to 6, 2015
Bankers Institute of the Philippines, Inc.

3. June 22, 2015
Acacia Hotel, Alabang, Muntinlupa City
Center for Training & Development

4. March 4, 2016
 Acacia Hotel, Alabang, Muntinlupa City
 Center for Training & Development

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Stated below are the company's policies on the business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Transactions causing conflict of interests are prohibited.	Transactions with members of the senior management causing conflict of interest are prohibited.	Transactions with employees causing conflict of interest are prohibited.
(b) Conduct of Business and Fair Dealings	All dealings with directors are at arms-length basis.	Business and Dealings between the Company and the Senior Management are not encouraged.	Business and Dealings between the Company and the employees are not encouraged.
(c) Receipt of gifts from third parties	Prohibited.	Prohibited.	Prohibited.
(d) Compliance with Laws & Regulations	Full compliance is required.	Full compliance is required.	Full compliance is required.
(e) Respect for Trade Secrets/Use of Non-public information	Required.	Required.	Required.
(f) Use of Company Funds, Assets and Information	Strictly in accordance with the rules of the company.	Strictly in accordance with the rules of the company.	Strictly in accordance with the rules of the company.
(g) Employment & Labor Laws & Policies	Full compliance.	Full compliance.	Full compliance.
(h) Disciplinary action	Strictly observed.	Strictly observed.	Strictly observed.
(i) Whistle Blower	Strictly observed.	Strictly observed.	Strictly observed.
(j) Conflict Resolution	The Company is yet to adopt policy regarding conflict resolution.	The Company is yet to adopt policy regarding conflict resolution.	The Company is yet to adopt policy regarding conflict resolution.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Any person may file any complaint of misconduct against any employee or any violation with the code of ethics or conduct to the Office of the Chairman or the Human Resource Department (HR). The HR will serve notice to the employee concerned and give him chance to explain himself why he should not be given a disciplinary action. Thereafter, the HR in coordination with the Legal Department and Office the Chairman, will resolve whether or not to cite the employee for disciplinary action.

4) Related Party Transactions

(a) Policies and Procedures

The company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board are as follows:

Related Party Transactions	Policies and Procedures
(1) Parent Company	All related party transactions are at arms-length basis duly approved by the Audit Committee, and passed during the meeting of the Board of Directors that is duly attended by independent directors.
(2) Joint Venture	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

Details of Conflict of Interest (Actual or Probable)	
Name of Director/s	None
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors and significant shareholders.

Directors/Officers/Significant Shareholders	
Company	Full disclosure of transaction with the Company is required.
Group	

5) Family, Commercial and Contractual Relations

(a) Relationship of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Lucio L. Co	Affinity	Husband of Susan P. Co
Susan P. Co	Affinity	Wife of Lucio L. Co

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Some family members of the Co Family are lessors of the Company.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

None.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

The Company has yet to establish an Alternative Dispute Resolution System.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes, regular board meetings are scheduled at the beginning of the calendar year.

For 2015

March 3, 2015 regular Board meeting
May 12, 2015 Organizational meeting
June 2015 regular Board meeting
July 30, 2015 regular Board meeting
November 2, 2015 regular Board meeting
December 18, 2015 regular Board meeting

For 2016

January 29, 2016 regular Board meeting
April 1, 2016 regular Board meeting
May 10, 2016 Organizational meeting
August 5, 2016 regular Board meeting
November 4, 2016 regular Board meeting
December 16, 2016 regular Board meeting

2) Attendance of Directors for the year 2015

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Lucio L. Co	May 12, 2015	6	6	100%
Member	Susan P. Co	May 12, 2015	6	6	100%
Member	Ferdinand Vincent P. Co	May 12, 2015	6	5	83.33%
Member	Leonardo B. Dayao	May 12, 2015	6	6	100%
Member	Pamela Justine P. Co	May 12, 2015	6	6	100%
Independent	Marilyn V. Pardo	May 12, 2015	6	5	83.33%
Independent	Edgardo G. Lacson	May 12, 2015	6	6	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Yes. On March 4, 2016, the Board amended Section 6 Article III of the Company's By Laws, to read as follows:

"Section 6. Quorum. – Two-thirds (2/3) of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, provided that at least one independent director be present. Every decision of at least majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of majority of all members of the Board."

5) Access to Information

Every stockholder has access to corporate records.

(a) How many days in advance are board papers for board of directors meetings provided to the board?

At least 5 days in advance.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes.

State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary of the Company is a Filipino and a resident of the Philippines. Part of her duties are as follows:

1. Be responsible for the safekeeping and preservation of the integrity of the minutes records of the Corporation;
2. Be loyal to the mission, vision and objectives of the Corporation;
3. Work fairly and objectively with the Board, Management and stockholders;
4. Have appropriate administrative and interpersonal skills;
5. If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
6. Have a working knowledge of the operations of the Corporation;
7. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
8. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
9. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
10. And if he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.

The Corporate Secretary regularly coordinates with the Chairman of the Board in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes.

Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

The company secretary, although not formally trained in legal, accountancy and company secretarial services, is always consulting officers of the company who are either legal practitioners or certified public accountants.

(c) Committee Procedures

Directors can avail or get information necessary to be able to prepare them in advance for the meetings of different committees:

Committee	Details of the procedure
Executive	Directors are given meeting materials at least 5 days before the meeting.
Audit	
Nomination	
Remuneration	

6) External Advice

Directors can receive external advice in order to equip themselves with appropriate information or advise on a specific matters that ask for their approval.

7) Change/s in existing policies

No material changes in the policy that have the effect on the business of the company.

D. REMUNERATION MATTERS

1) Remuneration Process

The annual salaries of the Chairman and the four (4) most highly compensated management officers are as follows:

Process	Chairman	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	6,000,000.00	Ferdinand Vincent P. Co Iraida B. De Guzman, Senior Vice-President Teodoro Polinga, Comptroller Andres Santos, Legal Counsel
(2) Variable remuneration	None	
(3) Per diem allowance	Php50,000.00 per Board meeting and Php30,000 per Board Committee meeting	

(4) Bonus	None	
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	None	

The salaries are fixed and being reviewed atleast every two years.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

The salaries of the directors are fixed.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

No.

3) Aggregate Remuneration

The table below present the aggregate remuneration for the 2014 to 2016:

Name	Current Position	Year	Salary in Philippine Peso	Bonus	Other Annual Compensation
Lucio L. Co	Chairman	2016	6,000,000	-	-
		2015	6,000,000	-	-
		2014	6,000,000	-	-
Susan P. Co	Vice-Chairman	2016	2,400,000	-	-
		2015	2,400,000	-	-
		2014	2,400,000	-	-
Ferdinand Vincent P. Co	President	2016	3,900,000		
		2015	3,620,833		
		2014			
Leonardo B. Dayao	Director	2015	750,000		
		2014	1,950,000		
		2013	1,950,000		
Iraida B. De Guzman	Senior Vice-President	2016	1,295,000		
		2015	1,170,000		
		2014	1,170,000		
Denise Maria D. Carolino	Vice-President	2016	905,000		
		2015	780,000		

		2014	780,000		
All Other Officers as a Group unnamed		2016	87,619,415		
		2015	72,888,315		
		2014	63,885,878		

Other Benefits	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Advances	None	None	None
(b) Credit granted			
(c) Pension Plan/s Contributions			
(d) Pension Plans, Obligations			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan	There are car services provided to some of the executive directors	None	None
(h) Others (Specify)	None		

4) Stock Rights, Options and Warrants

(a) Board of Directors

The Company's Stock Option Plan for Board of Directors will still undergo regulatory approvals.

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:
None.

5) Remuneration of Management

Identification of the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year 2015:

Iraida B. De Guzman, Senior Vice-President	Php1,170,000.00
Antonio Delos Santos, Head-Operations	Php1,625,000.00
Teodoro Polinga, Comptroller	Php 882,852.55
Andres Santos, Legal Counsel	Php 819,000.00
Maria Denise Carolino, Vice-President for Administration	Php 780,000.00

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Executive Committee

Number of Executive Director	4
Number of Non Executive Director	0
Number of Independent Director	0
Committee Charter	None
Functions	It may act on such specific matters which are within the competence of the Board to approve, pass or act upon
Key Responsibilities	To regularly convene and approve business matters within its authority

Audit Committee

Number of Executive Director	3
Number of Non Executive Director	0
Number of Independent Director	1
Committee Charter	Yes

Functions	Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation; Perform oversight functions over the Corporation's internal and external auditors; Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation; Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security; Review and reports submitted by the internal and external auditors; Recommend appointment, re-appointment or termination of external auditor; Review and quarterly, half-year and annual financial statements before their submission to the Board; Coordinate, monitor and facilitate compliance with laws, rules and regulations and; Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses.
Key Responsibilities	To assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations and perform oversight functions over the Corporation's internal and external auditors.

The Audit Committee is headed by an independent director, Mr. Edgardo G. Lacson, a Certified Public Accountant. The members of the Audit Committee are Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co and Leonardo B. Dayao. Mr. Dayao is also a Certified Public Accountant.

Nomination Committee

Number of Executive Director	3
Number of Non Executive Director	0
Number of Independent Director	1
Committee Charter	None
Functions	Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors
Key Responsibilities	To receive nomination of directors, qualify or disqualify nominated directors before bringing to the Board

Remuneration or Compensation Committee

Number of Executive Director	2
Number of Non Executive Director	0
Number of Independent Director	1
Committee Charter	None
Functions	To establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.
Key Responsibilities	To assess the compensation package of the officers

2) Committee Members for the year 2015

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Lucio L. Co	May 12, 2015	6	6	100%	4 years; since 2012
Member (ED)	Susan P. Co	May 12, 2015	6	6	100%	4 years; since 2012
Member (NED)	None					
Member (ID)	None					
Member	Ferdinand Vincent P. Co	May 12, 2015	6	5	83.33%	4 years; since 2012
Member	Leonardo B. Dayao	May 12, 2015	6	6	100%	4 years; since 2012

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	%	Length of Service in the Committee
Chairman	Edgardo G. Lacson (ID)	May 12, 2015	4	100%	4 years since 2012
Member (ED)	Lucio L. Co	May 12, 2015	4	100%	4 years since 2012
Member (ED)	Susan P. Co	May 12, 2015	4	100%	1 year
Member (ED)	Ferdinand Vincent P. Co	May 12, 2015	3	83.33%	1 year
Member	Leonardo B. Dayao	May 12, 2015	4	100%	4 years since 2012

Disclose the profile or qualifications of the Audit Committee members.

All Audit Committee members have accounting and financial backgrounds. The Audit Committee is headed by an independent director, Mr. Edgardo G. Lacson, a Certified Public Accountant. The members of the Audit Committee are Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co and Leonardo B. Dayao. Mr. Dayao is also a Certified Public Accountant.

Describe the Audit Committee's responsibility relative to the external auditor.

In compliance with role of the Audit Committee in assisting the Board in overseeing the financial reporting process, internal control, audit process, and monitoring compliance with applicable laws and regulations, the Audit Committee performs oversight function over the work of the external auditor. Specifically, the Audit Committee, under its Charter, is obliged to:

1. Recommend the appointment of the Independent Auditors and their remuneration to the Board.
2. Review and pre-approval of Independent Auditor's plan to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.
3. Monitoring of the coordination of efforts between the external and internal auditors.
4. Review of the reports of the Independent Auditors and the regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner, including addressing control and compliance issues.
5. On an annual basis, review the audit and non-audit fees and services provided by the independent accountant. Approve the Company's proxy disclosure with the respect to such fees and approve for the coming year fees to be paid to the independent accountant including non-audit services.
6. Conduct private review sessions with the Independent Auditors at least annually and as otherwise deemed appropriate by the Committee.
7. Assess the effectiveness of the conduct and performance of independent audit. Review the annual audit report which subsequently produced.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Susan P. Co	May 12, 2015	1	1	100%	4 years since 2012
Member (ED)	Lucio L. Co	May 12, 2015	1	1	100%	1 year
Member (NED)	None					

Member (ID)	Marilyn V. Pardo	May 12, 2015	1	1	100%	4 years since 2012
Member	Leonardo B. Dayao	May 12, 2015	1	1	100%	4 years since 2012

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Lucio L. Co	May 12, 2015	1	1	100%	4 years since 2012
Member (ED)	Leonardo B. Dayao	May 12, 2015	1	1	100%	4 years since 2012
Member (ED)	Ferdinand Vincent P. Co	May 12, 2015	1	1	100%	1 year
Member (ID)	Marilyn V. Pardo	May 12, 2015	1	1	100%	1 year

(e) Corporate Governance and Risk Management Committee

The Board also constituted Corporate Governance and Risk Management Committee headed by an independent director. The Committee is tasked to ensure the compliance of the Company with the Manual of Corporate Governance and even improve its practices to be at par with other leading companies.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Marilyn V. Pardo	May 12, 2015	1	1	100%	1 year
Member (ED)	Lucio L. Co	May 12, 2015	1	1	100%	1 year
Member (ED)	Ferdinand Vincent P. Co	May 12, 2015	1	1	100%	1 year
Member (ID)	Leonardo B. Dayao	May 12, 2015	1	1	100%	1 year

3) Changes in Committee Members.

There are no changes in Committee Members.

4) Work Done and Issues Addressed

Work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	The approval of lease and acquisition transactions for the continued expansion of the Company.	No major issues.
Audit	The passage of annual audited financial statements, quarterly financial statements and transactions with related parties.	No major issues.
Nomination	Nomination of candidates for Board of Directors	No major issues.
Remuneration	None	
Others (specify)	None	

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

The Committee intends to implement the following amendments in its Articles and By Laws in CY 2016:

Amendment of Article 6, Articles of Incorporation:

SIXTH. That the number of directors of the Corporation shall be NINE (9) comprising of six (6) regular members and three (3) independent directors.

Amendment of Section 6 Article III of the Company's By Laws:

"Section 6. Quorum. – Two-thirds (2/3) of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, provided that atleast one independent director be present. Every decision of atleast majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of majority of all members of the Board."

Amendment of Section 4 (1) Article II of the Company's By Laws:

"Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Office of the Corporate Secretary by personal delivery or mail at least thirty (30) days prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purposes for which the meeting is called. "

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

INTERNAL CONTROL POLICY FRAMEWORK

The Board of Directors (Board) is responsible in formulating clearly defined internal control and risk management systems and policies including guidance in the determination of the appropriate nature and extent of business risks that the Company is willing to take to ensure achievement of strategic objectives based on annual and long term business plans.

The Board is assisted by a Management Committee (ManCom) which is charged with accountability and responsibility to design and ensure risk management policies and procedures are strictly implemented by all business units within the group in the conduct of its day to day business operations and activities. Major policy decisions and actions are elevated to Board of Directors for approval.

The Company's internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of company's resources, reliability of operating and financial records and information, and compliance with policies and regulations.

Internal Controls are designed and continuously enhanced to have reasonable but not absolute assurance against material misstatement, loss or fraud.

INTERNAL CONTROL SET-UP AND CONTINUOUS SYSTEM ENHANCEMENTS:

Internal control and risk management systems comprise of the following areas:

A. CONTROL SET-UP

On December 18, 2014, the Board created a Corporate Governance and Risk Management Committee to be headed by one of the independent directors, Ms. Marilyn V. Pardo.

The Committee is tasked to ensure compliance by the Company with the written Manual of Corporate Governance; build awareness and control responsibility to further improve and be at par with the best practices.

Key Officers are identified to establish the proper environment for internal control compliance as policies and procedures approver; ensuring adequate controls are in place based on pre-identified risks; where preventive measures are supplemented in the processes. Departmental management is given responsibility as processes reviewers; with objective of advance detection of improprieties. Each store has an identified Key Personnel for effective Procedure Implementation from the Store Management and Store Auditor; both of which are accustomed with the processes. Based on pre-defined annual audit plans and timelines, auditors are tasked to perform periodic compliance review, determine process implementation strengths and areas for improvements. Each process-owner ensures adherence on strict implementation and controls based on pre-defined and agreed Key Results Area as part of their accountability.

The management is continuously refining the internal control frameworks to ensure fair business activity in compliance with the related laws and regulations. The directors and management are well-informed of the review and enhancements of the internal control system. Based on the covered areas, stores, scope of transactions and processes reviewed by the company's Internal Audit Division, the internal control systems are fairly effective and adequate.

B. RISK ASSESSMENT

There are constant improvements on risk management processes where enhanced reporting is implemented as one of the tools to easily detect quality of risk information. Risk management features are embedded on the enhanced policies and procedures headed by each functional division and department heads.

On a monthly basis, the Executive Committee aims to review and enhance certain policies, systems and procedures related to operations and financial recording and reporting to continuously assess effectiveness of the internal control and risk management programs.

The Board Audit Committee reviews high risk areas once a year based on internal audit reports; the company aims to increase frequency of reviews on a quarterly basis to determine effectiveness in relation to identified risk on financial reporting process.

Regular internal management coordination meetings are held to fully discuss immediate action plans and solutions on identified risks and determine further enhancements on overall risk assessment process through the build-up teamwork of the group.

C. CONTROL ACTIVITIES

A regular and continuing internal audit and review process are implemented by Internal Audit Division covering the group's operating and support organizational structures, systems and processes to ensure compliance with established internal control systems and standards. Identify possible non-compliance on internal controls, financial standard policies and procedures and corrective measures necessary.

Defined internal control standards, are more focused on accountability segregation, established gray areas clarity on functions and responsibilities and early detection of preventive measures and controls.

D. INFORMATION AND COMMUNICATION

Written business policies, procedures and systems manuals are maintained in the Company's online procedures and manual portal and accessible to the authorized users for their reference. Duly approved additions or process enhancements are added to the portal by authorized Business Process personnel on a regular basis.

These new processes are also communicated through email to the responsible department heads and key personnel in-charge of training.

E. MONITORING

Internal financial reporting is improved on an ongoing basis; policies and procedures are aligned within the companies. Monthly financial reports are submitted and presented to the Executive Committee as basis for the conduct of monthly financial and operating reviews and analysis, identify possible non-compliance on internal controls, financial standard policies and procedures and corrective measures necessary.

The Board Audit Committee follows up on the corrective actions to ensure internal control weaknesses identified are corrected. Internal Audit performs follow up audit engagement on areas with identified high risks areas to ensure internal controls are strengthen based on the recommended solutions and actions.

SECTION B.

- **Internal Audit Division (IAD) - Role, Scope and Function**

The Company's Internal Audit Division's core objective is to establish reasonable assurance that the Company's governance, risk management, internal and management controls over efficiencies and effectiveness of operations, reliability of financial management are adequate to ensure, among others:

- Risks are appropriately identified and managed
- Significant financial, managerial and operational information is accurate, reliable and timely
- Employees' performance and actions are in compliance with set policies

- Resources are acquired economically, efficiently utilized and adequately protected
- Quality and continuous enhancements are fostered in the Company's procedures, guidelines and control processes.
- Programs, plans, objectives and timelines are defined and communicated to ensure achievement of the set goals

The IAD employs both Risk-Based Audit methodology and transactional audit. The scope of internal audit functions are divided into three areas, as follows:

- Financial Audit
 - Aim to assess effectiveness of an entity's suite of controls over record keeping and reporting are adequate and effective; concentrating on such areas as proper authorization, the safeguarding of assets, and the segregation of duties.
 - Major scope is the sales audit in the stores, for the timely checking and assurance of completeness, timeliness and adequate loading to financial modules.
- Store Operations Audit
 - To evaluate compliance with policies, procedures, methods and standards.
 - To determine control weaknesses and provide guidelines for procedure documentation or enhancement
 - To evaluate if controls are in place that eliminates opportunity for damage, loss, fraud or irregularities.
 - To appraise units or functions effectiveness and efficiency.
- Computer Information System Audit
 - To evaluate internal controls in the computerized systems and identify control weaknesses, risks and deviations.
 - To identify the nature and extent of risks to financial reporting posed by the use of information technology
 - To review new systems/software development and ensure coordinated and proper implementation
 - To identify risks of fraud, errors, irregularities, accidental and deliberate damage.

The Audit Manager reports to the Audit Committee, the Executive Committee and to the Chairman and the President. The internal auditors have direct and unfettered access to the Board of Directors, the Audit Committee, store management and access to all records, properties, and personnel.

- **Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?**

The Audit Committee approval is required for the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced.

- **Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct access to the board of directors and the audit committee?**

The Audit Manager reports to the Audit Committee, the Executive Committee and to the Chairman and the President. The internal auditors have direct and unfettered access to the Board of Directors, the Audit Committee, store management and access to all records, properties, and personnel.

- **Resignation, Re-assignment and Reasons.**

- **Progress against Plans, Issues, Findings and Examination Trends**
Risk-Based audit is embedded on the audit activities based on Annual Audit Plan.
- Store Auditors identified key high risk areas where regular audit is performed; subject for review on a monthly basis.
- Inventory Management
- Quality Assurance
- Policies and procedures
- Tenants accounts and contracts
- Functions and Plantilla
- Financial Process
- Major financial accounts are audited and established controls and systems and processes are enhanced based on risk identified.
 - Information Systems
 - system access and security
 - Pre-implementation and post implementation reviews of in-house systems
 - Data integrity across systems

Progress against Plans:

Volume of transactions, manpower staffing, level of new stores opening and launching and on-going enhancements of the Company's operating IT systems as well as certain in-house programs, among others, were duly considered in the formulation of the annual internal audit plans and programs during the year.

Nevertheless, the audit activities are considered adequate to determine the effectiveness of the system and compliance in the procedures, especially when we focused on the process stated above. The audited activities have further provided new and enhanced insights on improvements of procedures and controls, and development of new systems.

Issues and Findings:

The fast expansions and launching of new stores also mean increase in manpower and extensive retraining of procedures. Certain issues are raised on how immediate the organization (and stores) must adapt to these changes and the challenge of aligning the process, people and the functions (procedures).

Audit findings include existence of various non-value processes and non-compliance on certain procedures that rendered lag in the process. These are gradually being resolved by each unit or department's efforts to restructure and improve. IAD is also working with Business Process Department for the continuous process assessments and improvements.

Examination Trends

The current challenges to adapt to changes, to keep up with the ongoing expansion, while doing implementation of new systems, are very much expected by everyone in the management. The issues and findings are pervasive as expected, but the Company's management is committed to keep abreast and be on top of these changes by doing incessant evaluation and finding solutions to the demands of these challenges.

- **Audit Control Policies and Procedures**

Internal Audit Controls, policies and procedures

Audit assessments have resulted to various major and minor updates and enhancements in controls and policies, and streamlining of store procedures. The following areas have significant new and enhanced policies and procedures implementation, among others:

1. General

- KPI reporting and evaluation process

2. Finance related processes

- Payment processes and recording
- Collection processes and recording
- Assets management – ongoing

3. Business Operation related processes

- Mother Purchase Order
- Cycle and Annual Inventory Count
- CRM
- **Mechanism and Safeguards**

The Audit Division has been an independent functional business unit. The internal auditors, although substantially based at the stores, are functionally reporting to the Audit Officers and Managers at the head office.

The scope of the audit works and activities are directed and supervised by the division based on annual audit planning. Any requests for audit investigation, analysis or store-related auditing are approved first with the Audit Officers. Performance of the internal auditors is rated solely by the Audit Managers and not by Store Managers.

- **State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance.**

The Chairman, based on the recommendations of the Company's Compliance Officer, attests that the Company, under his chairmanship, always strives to be in full compliance with the SEC Code of Corporate Governance, and that all directors, officers and other key employees of the Company have been given proper guidance on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure compliance.

H. ROLE OF STAKEHOLDERS

1) The company's policy and activities relative to the following:

	Policy	
Customer's welfare	Total satisfaction for our customers from the kind of service to the prices of our merchandise	It can be shown in the daily operation in all of the Company's stores
Supplier/contractor selection practice	Supplier must be accredited, we make sure that their goods are safe, genuine and registered with government bodies regulating them	Consistently practiced by the vendors in the merchandising department
Environmentally friendly value-chain	All our stores have sufficient environment compliance certificate and continuously observing environmental laws	From the construction of the stores up to its opening, the Company ensures to have all the environmental permits required
Community interaction	Supportive of educational foundations and small enterprise	The Company is in coordination with LCCK Foundations granting scholarships to well deserving students and the Aling Puring Program is reaching out to sari sari store owners to enhance their businesses.
Anti-corruption programmes and procedures?	Strictly no bribery to any agency and no bribery within the Company.	Gift or any form of consideration from any party with dealings in the Company are prohibited and this policy is widely known especially among suppliers.
Safeguarding creditors' gifts	The policy of not accepting gifts or any form of consideration from any party with dealings in the Company are widely known to all the employees.	Any complaint for such is strictly monitored by the Company.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

This is jointly administered by the Office of the Vice-President for Administration and Human Resource Department.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employee's safety, health and welfare?

The company complies with the following workplace policies mandated by Department of Labor and Employment (DOLE):

1. Company Safety Policies
2. Contingency Plans and Procedures
3. Company Policy and Rule on STD/HIV/AIDS
4. Drug-Free Workplace Policy
5. Anti-sexual Harassment Policy
6. Workplace Policy and Program on Tuberculosis (TB) Prevention and Control
7. Workplace Policy and Program on Hepatitis B

8. Workplace Policy and Program on Maternity Leave
9. Workplace Policy and Program on Paternity Leave
10. Workplace Policy and Program on Solo Parents
11. Workplace Policy and Program on Special Leave for Women
12. Workplace Policy and Program on Leave for Victims of Violence against Women and their Children
13. Breastfeeding Policy

Together with above company policies, the company submits annual report on Safety and Health Organization, Medical Report and Accident/Illness Report to DOLE.

(b) Show data relating to health, safety and welfare of its employees.

Originally, the company has 235 accredited first aiders. Currently, the company is already coordinating on the schedule of First Aid and Basic Life Support training to DOLE accredited training institution for the renewal of accreditation of current first aiders and for the new and additional first aiders for the newly-opened stores.

Currently, the company has 100 accredited safety officers. The company is coordinating on the schedule of Basic Occupational Safety and Health training to DOLE accredited training institution to increase the number of accredited safety officers.

There are 1,517 employee-members enrolled in health maintenance program under Maxicare. Total claims amounted to ₱4,240,731.11.

There are 5,199 enrollees on Group Personal Accident Insurance Plan and total claims for the past coverage period is 194,510.60.

(c) State the company's training and development programmes for its employees. Show the data.

1. TCMT – (no changes on the course description). In 2015, there were 111 Management Trainees who underwent this course.
2. TCSS – (no changes on the course description). Last year, there were 304 participants trained in this program.
3. CSP – (no changes on the course description). In 2015, 1,411 newly hired employee attended this program.
4. SMH – (no changes on the course description). In 2015, 175 participants attended the training program.
5. DTC – (no changes on the course description). Last year, 507 undergone this program.
6. Puregold Price Club Inc., together with its yearly Sportsfest, held a series of Learning Sessions with the theme *“Discovery and Empowerment: Values in Action”*. The objective of the learning session is to re-align personal and work values with the corporate values towards a deepen commitment and work productivity. This year's series of learning sessions is the first that is spearheaded by the Training and Development Department and was cascaded to 25 batches or a total of 1,201 employees.
7. We are designing Training Curriculum for all employees across all levels.

(d) **State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.**

Currently, the Company is working on the Key Performance Indicators measures which is a device to eventually account for every employee's performance.

(e) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.**

Any person may file any complaint of misconduct against any employee or any violation of company's Code of Discipline to the Office of the Chairman or the Human Resource Department (HRD). The HRD will serve notice to the employee involved and give him the chance to explain himself why he should not be given a disciplinary action. Thereafter, the HRD in coordination with the Legal Department and Office of the Chairman, will resolve whether or not to cite the employee for disciplinary action.

In addition to the initiatives on the non-terminable cases, the company started administering counseling to employees charged of tardiness. The HRD is planning to implement the use of counseling session to all offenses to ensure efficient corrective measure.

The Management respects the wish of the complainant if he prefers that his identity be kept Confidential. In this case, the Management will conduct its own investigation and gather evidence on its own.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Lucio L. Co	211,088,022	7.63%	None
Susan P. Co	178,242,585	6.44%	None
Total	389,330,607	14.07%	

(b) Member of Senior Management

Name of Senior Management	Number of Direct Shares	Number of Indirect Shares/Through (name of record owner)	% of Capital Stock
Leonardo B. Dayao	739,925	None	0.03%

Ferdinand Vincent P. Co	26,709,434	0	0.97%
Total	27,449,359	None	1.00%

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorship of listed companies) of directors/commissioners	Yes
Training and/or continuing education program attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

3) External Auditor's fee

The External Auditor for the year 2015 is R.G. Manabat & Company, (KPMG).

2015 Audit Fee	2015 Non-Audit Fee
Php4,680,000.00	None

4) Medium of Communication

The following are the modes of communication that the company is using for disseminating information.

For Corporate events for stockholders - the Company website and PSE website.

For store promos and store openings – the Company website, all forms of media, print, television, radio and text blast.

5) Date of release of audited financial report

For the year 2013, the Audited Financial Statement was released on April 15, 2014.

For the year 2014, it was released on April 14, 2015.

For the year 2015, it will be released on or before April 14, 2016.

6) Company Website

Does the company have a website disclosing up-to-date information about the following:

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Disclosure of RPT

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company's related party transactions, its nature and value are itemized in the financial statements.

When RPTs are involved, the Company ensures that transactions are objective and are on an arm's length basis in a manner similar to transactions with non-related parties. A RPTs are reviewed as to its business purpose, its terms and its benefits, and it requires approval process to safeguard the interest of the Company and shareholders.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-Laws.

Quorum Required	Majority except those specified under the Corporate Code that requires 2/3 approval
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	During board meetings where directors personally attend and approve corporate acts
Description	Personal meetings; corporate acts are approved by majority decision

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders rights are those laid down in the Corporation Code.

Dividends declared in 2012, 2013, 2014 and 2015

Dividend and Declaration Date	Record Date	Payment Date
Php0.20 per share / May 8, 2012	May 22, 2012	June 5, 2012
Php0.20 per share / December 27, 2012	January 14, 2013	February 7, 2013
Php0.30 per share / December 16, 2013	January 6, 2014	January 30, 2014
Php0.30 per share / December 18, 2014	January 12, 2015	February 5, 2015
Php0.30 per share / December 18, 2015	January 8, 2016	January 18, 2016

(d) Stockholders' Participation

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Before the ASM: The Company issues an information statement to the stockholders where the all the matters for approval to the stockholders are fully discussed. In case they cannot attend in person, stockholders are given proxy forms where they can manifest their approval or disapproval to any matter on the agenda.

During the ASM:

Measures Adopted: Question and Answer during the ASM

Communication Procedure: The Chairman always opens the floor to all stockholders who may want to raise question in any agenda item of the ASM.

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially assets, which in effect results in the sale of the company

The Company is in full compliance with the provisions of the Corporation Code specially on the rights of the stockholders to appraisal rights, and any amendment of the Company's articles of incorporation where stockholders representing at least 2/3 of the capital stock must vote in the affirmative.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AM where items to be resolved by shareholders are taken up?

Yes.

- a. Date of sending out notices – April 18, 2014
- b. Date of the Annual/Special Stockholders' Meeting – May 13, 2014

- a. Date of sending out notices – April 15, 2015
- b. Date of the Annual/Special Stockholders' Meeting – May 12, 2015

- a. Date of sending out notices – April 8, 2016
- b. Date of the Annual/Special Stockholders' Meeting – May 10, 2016

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

The Chairman opened the floor for questions and answers portion but no significant question was raised during Annual/Special Stockholders' Meeting in 2015.

5. Result of 2015 Annual Stockholders' Meeting Resolutions

On May 12, 2015 ASM, stockholders holding 2,274,803,424 (82%) common shares attended the meeting, in person or by proxy.

Resolution	Approving	Dissenting	Abstaining
Ratification of Corporate Acts made by the Board of Directors and minutes of the previous meetings	2,269,708,634 (82.05%)	5,123,100	-
Approval of the Presidents Report and Audited Financial Statements	2,262,650,934 (81.79)	10,538,300	1,642,500
Election of Directors			
Lucio L. Co	2,237,031,870 (80.86%)	36,169,064	1,630,800
Susan P. Co	2,174,045,774 (78.59%)	99,155,160	1,630,800
Leonardo B. Dayao	2,237,031,870 (80.86%)	36,169,064	1,630,800
Ferdinand Vincent P. Co	2,257,938,543 (81.62%)	16,893,191	-
Pamela Justine P. Co	2,238,948,770 (80.93%)	35,882,964	-
Marilyn V. Pardo	2,263,940,534 (81.84%)	10,840,000	51,200
Edgardo G. Lacson	2,254,923,443 (81.51%)	19,857,200	51,200
Appointment of External Auditor	2,254,540,634 (81.50%)	14,711,900	5,579,200

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Result is not published in newspapers but posted in Company's website.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

None

(f) Stockholders' Attendance

(i) Attendance in the Annual/Stockholders' Meeting held:

Type of Meeting	Names of Board members/Officers present	Date of Meeting	% of SH Attending in Person	% of SH in Proxy	% of SH attendance
Annual	All present – Lucio Co, Susan Co, Ferdinand Vincent Co, Leonardo Dayao, Pamela Justine Co, Marilyn Pardo and Edgardo Lacson	May 12, 2015	67%	15%	82%

The voting through ballot was waived considering that substantial votes were already made and casted in favor of the matters approved by the major stockholders and proxy.

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

The stock transfer agent, BDO-Trust, is the official partner of the Company in verifying and counting votes during ASM.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Stockholders are fully informed
Notary	Not required, but for corporations, the authority of the representative must be stated in a board resolution under oath by the Corporate Secretary

Submission of Proxy	Liberal implementation
Several Proxies	Allowed
Validity of Proxy	Done through the stock transfer agent
Proxies executed abroad	Allowed
Invalidated Proxy	Not counted
Validation of Proxy	Done through the stock transfer agent
Violation of Proxy	Not counted

(h) Sending of Notices

State the company's policies and procedures on the sending of notices of Annual/Special Stockholders' Meeting.

Atleast 30 calendar days before the meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	All stockholders as of record date
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	30 days before the Stockholders Meeting
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	30 days before the Stockholders Meeting
State whether CD format or hard copies were distributed	CD Format
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or reappointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Please see below provisions in the Revised Manual on Corporate Governance:

"The Board shall respect the rights of the stockholders as provided for in the Corporation Code; namely;

Right to vote on all matters that require their consent or approval;
Right to inspect corporate books and records;
Right to information;
Right to dividends; and
Appraisal right.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes.

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.**

The Company adheres to the principle of transparency. It makes sure that the external and internal communication processes reflect such guiding principle. Company announcements are handled by the offices of the Corporate Secretary and Investor Relations Officer.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.**

The Investor Relations Officer is Mr. John Hao with telephone no. 632-522-8801 local 255 and 0917-8028878, with email address john.hao@puregold.com.ph

The Company always participate in investors education program and conduct regular briefings to adequately inform the investors and stockholders of the status and developments in the Company. It is also the strategy of the office to constantly update the website of the Company and reflect thereon all projects and disclosures made to the Philippine Stock Exchange.

- 3) **What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?**

Opportunistic approach, as long as beneficial and consistent with the Company's expansion plan, and made after compliance with all regulatory approvals required by the Securities and Exchange Commission and Philippine Stock Exchange.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Punongbayan and Araullo were designated to evaluate the fairness of the transaction price during the acquisition of Kareila Management Corporation in 2012.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Initiative undertaken by the Company.

Initiative	Beneficiary
Educational scholarships	Deserving students in state universities and Dela Salle universities
Effective Solid Waste Management by re-using throw-away fax paper core tube into an office tray or pencil holders	Preserving the environment for us and for the next generation to come.
Use of biodegradeable plastic shopping bags, paper bags, and re-usable eco-bags	
Use of light emitting diode (LED) instead of neon or flourescent lightings.	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director and the CEO/President.

Assessment is yet to be done. We will inform the Commission of such assessment once made.

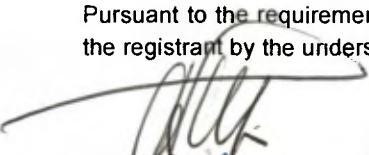
B. INTERNAL BREACHES AND SANCTIONS

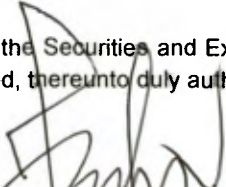
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

After due notice and hearing, any director, officer or employee who have been found in violation of the corporate governance manual shall have the following penalties: First Offense, warning/reprimand; Second offense, suspension from office and the duration shall be determined by the Board of Directors and; Third offense, the maximum penalty of removal from office.

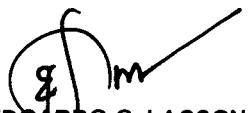
SIGNATURES

Pursuant to the requirement of the Securities and Exchange Commission, this **Updates on Annual Corporate Governance Report** is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Manila on April 13, 2016.


LUCIO L. CO
Chairman


FERDINAND VINCENT P. CO
President


MARILYN V. PARDO
Independent Director


EDGARDO G. LACSON
Independent Director


BABY GERLIE I. SACRO
Corporate Secretary

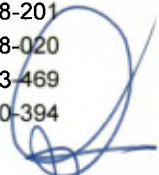

ATTY. CANDY H. DACANAY-DATUON
Compliance Officer

SUBSCRIBED AND SWORN to before me this APR 13 2016 day of April 2016 affiants exhibiting to me their identification card as follows:

Name
Lucio L. Co
Ferdinand Vincent P. Co
Edgardo G. Lacson
Marilyn V. Pardo
Baby Gerlie Sacro
Candy H. Dacanay-Datuon

Identification Card
TIN No. 108-975-971
TIN No. 208-381-185
TIN No. 116-078-201
TIN No. 127-418-020
TIN No. 914-383-469
TIN No. 233-200-394

Doc. No. 103
Page No. 22
Book No. IV
Series of 2016.


CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
APPOINTMENT NO. 2016-068
UNTIL DECEMBER 31, 2017
PTR NO. 4915021 MANILA 01-04-16
IBP NO. 977934/1-5-16/PPLM
MCLE COMPLIANCE NO. V-0014291/02-16-2016
ROLL NO. 55392/05-02-08
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007