



April 5, 2018

Securities and Exchange Commission
PICC Grounds, Pasay City



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

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

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

Re: Preliminary Information Statement

Gentlemen:

For submission are the Preliminary Information Statement of Puregold Price Club, Inc., Notice of Agenda, Proxy and the Certificates of Independent Director.

The Annual Stockholders' Meeting of Puregold will be held on May 8, 2018, 9 AM at the Acacia Hotel, Alabang, Muntinlupa City.

Thank you.

Yours truly,


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 H. DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

1 2

Month

3 1

Day

SEC FORM 20-IS

(Form Type)

0 5

Month

0 8

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION SHEET

PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE



Check the appropriate box:

- ☒ **Preliminary Information Statement**
☐ **Definitive Information Statement**

Name of Registrant as specified in its charter:
PUREGOLD PRICE CLUB, INC. (the "Company")

Province, country or other jurisdiction of the Company or organization:
Manila, Philippines

SEC Identification Number:
A199813754

BIR Tax Identification Code:
201-277-095

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

Registrant's telephone number, include area code:
(632) 822-8801 to 04; (632) 523-3055

Date, time and place of the meeting of security holders:
May 8, 2018, 9:00 AM, at the Acacia Hotel, Alabang, Muntinlupa City

Approximate date on which the Information Statement (including Proxy Form and other solicitation materials) are first to be sent or given to security holders:
April 12, 2018

Name of Person Filing the Statement / Solicitor:
The President, or in his absence the Chairman of the Board of Directors
Address: 2/F Tabacalera Building, 900 Romualdez St., Paco, Manila
Telephone No.: (632) 882-8801 to 04; (632) 523-3055

Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):
Authorized Capital Stock: ₱3,000,000,000 (₱1.00 par value)
No. of shares outstanding as of March 15, 2018 – 2,765,381,406 common shares
Treasury shares as of March 15, 2018 – 19,981,471 common shares
No. of Votes Entitled: One (1) vote per share

Are any or all of registrant's securities listed on a Stock Exchange:
Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange:
Philippine Stock Exchange

The class of securities listed therein:
Common shares

Notice of Annual Stockholders' Meeting

Notice is hereby given that the 2018 Annual Stockholders Meeting of Puregold Price Club, Inc. (the "Company") will be held on May 8, 2018, 9:00 am, at the Acacia Hotel, Alabang, Muntinlupa City with the following agenda:

1. Proof of Notice, Existence of Quorum and Call to order
2. Approval of Minutes of the 2017 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
3. Annual Report
4. Election of Regular and Independent Directors
5. Appointment of External Auditor
6. Other Matters
7. Adjournment

Stockholders of record as of the close of business on March 15, 2018 are entitled to notice of, and to vote at such meeting. The stock and transfer book of the company will be closed from April 23, 2018 to May 8, 2018.

If you do not expect to attend the meeting, you may execute and submit the attached Proxy Form to the Office of the Corporate Secretary of the Company at No. 900 Romualdez St., Paco, Manila, 1007. The deadline for submission of proxies is on May 1, 2018.

Registration shall start at 8:00 a.m. and will close at 8:45 a.m. Valid identification cards will be required to facilitate registration.

March 28, 2018, Manila.

Puregold Price Club, Inc.

By:

Candy H. Dacanay-Datuon
Assistant Corporate Secretary



Explanation Of Agenda Items For Stockholders' Approval

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

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

2. Approval of Minutes of 2017 Stockholders' Meeting

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

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

3. Annual Report

The Audited Financial Statements (AFS) of the Company ending December 31, 2017 will be presented to the stockholders during the meeting. The AFS will be submitted to the Securities and Exchange Commission on or before April 15, 2018. It will be presented to the stockholders for approval.

4. Election of Regular and Independent Directors

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

5. Appointment of External Auditor

The Audit Committee and the Board of Directors will endorse the re-appointment of R.G. Manabat & Company as external auditor of the Company for the year 2018. The profile of the handling partner will be provided in the Information Statement.

6. Other matters

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

7. Adjournment

The Chairman will thereafter call the meeting adjourned.

Proxy Form

Date: _____

The undersigned hereby appoints the Chairman and/or the President of Puregold Price Club, Inc., with full power of substitution and delegation, as proxy to vote all the shares of the undersigned at the Annual Stockholders' Meeting of PUREGOLD PRICE CLUB, INC. to be held on May 8, 2018, 9:00 AM at the Acacia Hotel, Alabang, Muntinlupa City and at any postponements or adjournments thereof.

The proxy shall vote subject to the instructions indicated below and the proxy is authorized to vote in his discretion on other business as may properly come at the Meeting and any postponements or adjournment thereof. Where no specific authority is clearly indicated below, the proxy shall vote and shall be deemed authorized to vote FOR THE APPROVAL OF ALL THE CORPORATE MATTERS listed below, and FOR ALL THE NOMINATED DIRECTORS named below.

		Yes	No	Abstain
1	Proof of Notice, Existence of Quorum and Call to order			
2	Approval of Minutes of previous stockholders meeting and ratification of all acts and resolutions approved by the Board of Directors and management from the date of the previous meeting			
3	Annual Report			
4.1	Election of Lucio L. Co as Director			
4.2	Election of Susan P. Co as Director			
4.3	Election of Ferdinand Vincent P. Co as Director			
4.4	Election of Leonardo B. Dayao as Director			
4.5	Election of Pamela Justine P. Co as Director			
4.6	Election of Jack Huang as Director			
4.7	Election of Marilyn V. Pardo as Independent Director			
4.8	Election of Edgardo G. Lacson as Independent Director			
4.9	Election of Jaime Dela Rosa as Independent Director			
5	Re-appointment of External Auditor			
6	Other Matters			
7	Adjournment			

Name of Stockholder

Name & Signature of Authorized Representative

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

Part I - Information Statement

A. General Information

Item 1. Date, time and place of meeting of security holders.

- (a) Date of Meeting: May 8, 2018
Time of Meeting: 9:00 AM
Place of Meeting: Acacia Hotel, Alabang, Muntinlupa City

Principal Office and Mailing Address:

Office of the Corporate Secretary
2/F Tabacalera Building
No. 900 Romualdez St., Paco, Manila, 1007

- (b) This Information Statement and the accompanying Proxy Forms will be first sent to stockholders as of record date on or before April 12, 2018 in accordance with the by-laws of the Company and the Securities and Regulation Code.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE
REQUESTED NOT TO SEND US A PROXY

Item 2. Dissenter's Right of Appraisal

There is no item in the agenda for approval of the stockholders that may give rise to an appraisal right of any stockholder under the Corporation Code of the Philippines.

Item 3. Interest of Certain Persons In or Opposition To Matter to be Acted Upon

- (a) No current director or officer nor any associate thereof of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon other than the election of directors for the year 2018.
- (b) No director of the Company has given information that he intends to oppose any action to be taken by the Company at the meeting.

B. Control and Compensation Information

Item 4. Voting Securities and Principal Holders Thereof

- a. As of March 15, 2018, the Company has the following outstanding shares of common stock: 2,765,381,406 common shares and 19,981,471 treasury shares. The Company's common shares shall not be issued to non-Philippine nationals in excess of forty percent (40%) of the Company's outstanding capital stock. Each share is entitled to one (1) vote.
- b. Only holders of the Company's stocks as of record date, March 15, 2018, are entitled to notice of, and to vote at, the Stockholders' Meeting.
- c. Election of directors shall be held at the Annual Stockholders' Meeting on the date and place as herein stated. It shall be done by majority of stock represented in the meeting, and shall be conducted in the manner provided by Section 24 of the Corporation Code of the Philippines, and with such formalities and in such manner as the presiding officer at the meeting shall then and there determine and provide.
 - (1) Stockholders entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected.

- (2) Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit;
 - (3) Provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.
 - (4) Discretionary authority to cumulate vote is not solicited.
- d. **Security Ownership of Certain Record and Beneficial Owners and Management.**
 Stockholder holding the highest percentage of common stock of the Company is Cosco Capital, Inc. (Cosco). Cosco owns 51% of the outstanding common stock of the Company or 1,410,867,188 common shares. Cosco's principal office is at No. 900 Romualdez St., Paco, Manila. It is 73% owned by the Lucio L. Co Group and 27% owned by the public.

Mr. Lucio L. Co will vote in the Annual Meeting of the Company in behalf of Cosco Capital, Inc. Mr. Co, Filipino, is the Chairman of Cosco Capital, Inc. holding under his name a total of 2,321,568,892 or 31% of the total outstanding shares of Cosco Capital, Inc.

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 of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	Percent
Common	Cosco Capital, Inc. No. 900 Romualdez St., Paco, Manila	Stockholder/ Parent Company	Parent Company	Filipino	1,410,867,188	51%
Common	Lucio L. Co, No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Chairman	Record owner himself	Filipino	211,088,022	7.63%
Common	Susan P. Co No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Vice-Chairman	Record owner herself	Filipino	178,242,585	6.44%
Common	PCD Nominee Corp. (Non Filipino)	Stockholder/ Not related	Acting for various clients	Non-Filipino	647,474,547	23.41%
Common	PCD Nominee Corp. (Filipino)	Stockholder/ Not related	Acting for various clients	Filipino	255,590,235	9.24%

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	7.63%
Common	Susan P. Co	Direct	Filipino	178,242,585	6.44%
Common	Leonardo B. Dayao	Direct	Filipino	739,925	0.027%
Common	Ferdinand Vincent P. Co	Direct	Filipino	26,709,460	0.97%
Common	Pamela Justine P. Co	Direct	Filipino	26,709,460	0.97%
Common	Edgardo G. Lacson	Direct	Filipino	1	0.00%
Common	Marilyn V. Pardo	Direct	Filipino	1	0.00%
Common	Jack Huang	Direct	Filipino	5,000	0.00%
Common	Jaime Dela Rosa	Direct	Filipino	1	0.00%

- e. **Voting trust holders or 5% or more.** 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.
- f. **Changes in Control.** There have been no arrangements that have resulted in a change in control of the Company during the period covered by this report.
- g. **Foreign ownership as of March 15, 2018.**

Local shares	2,117,895,159
Foreign shares	647,486,247

Item 5. Directors and Executive Officers

A. Board of Directors and Executive Officers. There are nine (9) members of the Board of Directors, three (3) of whom are independent directors. Executive officers are elected annually by the Board of Directors.

On May 30, 2017, the following were elected members of the Board of Directors by the stockholders, and the officers were elected during the organizational meeting held on the same day.

Name	Age	Position
Lucio L. Co	63	Chairman
Susan P. Co	60	Vice Chairman
Ferdinand Vincent P. Co	36	President
Leonardo B. Dayao	74	Director
Pamela Justine P. Co	33	Director
Jack Huang	64	Director

The following persons were qualified and elected as Independent Directors of the Company:

Name	Age	Position
Marilyn V. Pardo	79	Independent Director
Edgardo G. Lacson	74	Independent Director
Jaime Dela Rosa	73	Independent Director

All directors were elected for a term of one (1) year and until their successors are elected.

B. Nominees for the election of Board of Directors.

The following persons have been nominated for election to the Board as the Regular Directors and Independent Directors:

Lucio L. Co	Regular Director
Susan P. Co	Regular Director
Ferdinand Vincent P. Co	Regular Director
Leonardo B. Dayao	Regular Director
Pamela Justine P. Co	Regular Director
Jack Huang	Regular Director
Edgardo G. Lacson	Independent Director
Marilyn V. Pardo	Independent Director
Jaime Dela Rosa	Independent Director

The nominees were formally nominated to the Nomination Committee of the Board during its meeting held on April 5, 2018. On the same day, the same was approved by the Board of Directors of the Company.

Pursuant to the new Corporate Governance Code, the Company is required to have at least three (3) independent directors or at least 1/3 of the entire board membership, whichever is higher. The Company's incumbent independent directors are Edgardo G. Lacson and Marilyn V. Pardo. To complete the list of three independent directors, Jaime Dela Rosa is also nominated as independent director.

The Nominees for independent directors were screened in accordance with the guidelines on the nominations of independent directors prescribed by SRC Sec. 38 and Rule 38.1 as amended and the new Manual on Corporate Governance prescribed by the Securities and Exchange Commission.

The final list of candidates for independent directors were nominated by Mr. Lucio L. Co and Mrs. Susan P. Co. Mr. and Mrs. Co have no relation with the nominated independent directors nor are they employees or consultants of the Company or any of its affiliates.

The nominees for independent directors have always possessed the qualifications and none of the disqualifications of an independent director.

Only the nominees duly approved by the Nomination Committee are eligible for election as directors. No further nomination will be entertained or allowed during the stockholders' meeting. The nominees are expected to attend the Annual Stockholders' Meeting.

The following are the incumbent directors and executive officers, and the nominees for the coming election of directors of the Company, indicating their respective business experience for the past five (5) years:

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

Mr. Co has been a Director and Chairman of the Company since it was incorporated in September 1998.

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

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

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

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

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

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

Mrs. Co has been a Director, Vice-Chairman of Puregold Price Club, Inc. since it was incorporated in September 1998.

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

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

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

MR. FERDINAND VINCENT P. CO, 36 years old, Filipino, President

Mr. Co has been a Director of the Company since 2003. He was first elected President of the Company on May 12, 2015.

Mr. Ferdinand Vincent P. Co currently holds the following positions: Chairman and President of Alerce Holdings Corp., Invesco Company, Inc., KMC Realty Corporation, League One, Inc., Meritus Prime Distributions, Nation Realty, Inc., Patagonia Holdings Corp., PPCI Subic, Inc., VFC Land Resources, Inc.; President of Ayagold Retailers, Entenso Equities Incorporated, PG Lawson Company, Inc. and Union Equities, Inc.; and Director of Alphaland Makati Tower, Inc., Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Daily Commodities, Inc., Ellimac Prime Holdings, Inc., Entenso Equities, Inc., Kareila Management Corp., P.G. Holdings, Inc., PSMT Philippines, Inc., Premier Wine & Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., Pure Petroleum Corp., San Jose City Power Corp., and Union Energy Corporation.

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

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

Mr. Dayao 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 in publicly listed companies: President of Cosco Capital, Inc. and Director of Puregold Price Club, Inc. and Vice-Chairman of the Philippine Bank of Communications.

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

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

MS. PAMELA JUSTINE P. CO, 33 years old, Filipino, Director

Ms. Co has been a Director of the Company since 2003.

Ms. Pamela Co is currently holding the following positions in privately-owned companies: Director of Alerce Holdings Corp., Bellagio Holdings, Inc., Blue Ocean Holding, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Invesco Company, Inc., Kareila Management Corporation, KMC Realty Corporation, League One, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., P.G. Holdings, Inc., Patagonia Holdings Corp., PSMT Philippines, Inc., Pure Petroleum Corp., Premier Wine & Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Properties, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., SPC Resources, Inc., Union Energy Corporation, Union Equities, Inc., and VFC Land Resources, Inc.

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

MR. JACK HUANG, 64 years old, Filipino, nominee for regular director

Mr. Huang is currently the Operations Manager and Vice-President for Visayas & Mindanao area of Abacus Securities Corporation. He is also a member of the Board of Trustees of Sacred Heart School – Ateneo de Cebu.

Mr. Huang started in Abacus in 1992. Before working with Abacus, Mr. Huang worked in Ayala Investment and Development Corporation from 1975 to 1983. He also worked in the Bank of the Philippine Islands from 1983 to 1990.

He also serves as Director of Cebu Business Continuous Forms and Richmedia Network, Inc., both privately-owned companies.

Mr. Huang graduated from Ateneo De Manila University in 1975 with a degree of Bachelor of Arts in Economics.

MS. MARILYN V. PARDO, 79 years old, Filipino, Independent Director

Mrs. Pardo was first elected as an Independent Director of the Company on October 5, 2010.

Mrs. Pardo held the following positions from the Company's incorporation to December 2016: Chief Executive Officer of 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.

MR. EDGARDO G. LACSON, 74 years old, Filipino, Independent Director

Mr. Lacson was first elected as an Independent Director of the Company on October 5, 2010.

Mr. Lacson is currently holding the following positions in privately-owned companies: Chairman of MIL Export Philippines, Inc., Metrostore Corporation, EML realty corp, and the Employers Confederation of the Philippines; President of MIS Maritime Corp., Safe Seas Shipping Agency Co., Inc., Member of Management Association of the Philippine, member of the Board of Trustees of De La Salle, former Trustee of Home Development Mutual Fund. Past President and Honorary Chair of Philippine Chamber of Commerce and Industry.

He also serves as a Director of the Philippine Stock Exchange representing Other market participants, director/treasurer of Link Edge and Independent Director of Global Ferro Nickel, Inc.

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

MR. JAIME DELA ROSA, 74 years old, Filipino, Nominee for Independent Director

He is a former Director of Alcorn Gold Resources Corporation, PNCC – Skyway Corporation of the Philippines, and Development Bank of the Philippines. He also used to be the President of Portman Mining Philippines, Cabaluan Chromite Corp., and Food Terminal, Inc. He also worked as Head of Ayala Investment and Development Corporation and Philsec Investment Corporation for Visayas and Mindanao and Assistant Vice-President of Citibank.

He used to be an Associate Executive Trustee of the Asset Privatization Trust and former Director of Coco Life Insurance and Coco Life General Insurance.

Mr. Dela Rosa graduated from the Far Eastern University with a degree of Bachelor of Science, major in Accounting in 1964. He finished the Program on Global Financial Systems in 2002 at the John F. Kennedy School of Government, Harvard University.

MS. BABY GERLIE SACRO, 40 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, 39 years old, Filipino, Assistant Corporate Secretary and Compliance Officer

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

She received a Bachelor of Arts, Cum Laude, in Political Science from the Colegio de San Juan de Letran and a Bachelor of Laws Degree from the University of Santo Tomas.

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

Mr. Polinga has been the Company's 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.

C. Significant Employees.

All employees working together as one workforce is considered significant. Everyone is a member of a team working together to achieve the company's vision and mission.

D. Family Relationships.

The Company's Chairman, Mr. Lucio L. Co and Vice-Chairman, Ms. Susan P. Co are husband and wife and the parents of Mr. Ferdinand Vincent P. Co, President, and Ms. Pamela Justine P. Co, Director.

E. Involvement in Legal Proceedings.

As of record date, to the best of Company's knowledge, there are no legal proceedings against the directors and executive officers of the Company within the categories described in SRC Rule 12, Part IV paragraph (A) (4).

F. Certain Relationships and Related Transactions.

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

- The Company leases buildings from its related parties where some stores are located. The Company pays its related parties minimum fixed amount or is calculated in reference to fixed sum per square meter of area leased.
- The 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 to Puregold Junior 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 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. Consequently, during the term of the Licensing Agreement, Mr. Co cannot license the tradenames and trademarks under this agreement except to Licensed Affiliates. None of the tradenames and trademarks can also be transferred by Mr. Lucio Co.
- The Company has an agreement with Puregold Finance, Inc., pursuant to which the Company's employees are able to borrow money from Puregold Finance, Inc., and loan repayments are made by the Company through salary deductions, which the Company withholds to repay Puregold Finance, Inc. The Company 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 Company binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Company 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 other details on related party transactions, see attached Audited Financial Statements of the Company.

G. Ownership Structure.

The Company owns 100% of Kareila Management Corporation (KMC), PPCI-Subic, Inc., Entenso Equities, Inc., and 70% of PG Lawson, Inc.

- 1) KMC is the operator of S&R Membership Shopping. It has at present fourteen (14) warehouses located at the following locations: Taguig City; Muntinlupa City; Congressional, Quezon City; Paranaque City; Mandaue City; San Fernando Pampanga; Davao; Mandaluyong City; Imus, Cavite; Sta. Rosa, Laguna; Cagayan De Oro; Ilo-Ilo City; Commonwealth, Quezon City; and Dau, Pampanga. KMC also operates thirty two (32) quick service restaurants mostly located in Metro Manila.
- 2) Entenso Equities, Inc. is a wholly owned subsidiary of Puregold holding the following companies under its umbrella operating the following retail formats and brands:
 - (a) PG Lawson, Inc. with thirty four (34) stores all located in Metro Manila
 - (b) Ayagold Retailers, Inc. is a joint venture with Ayala Land. It opened mall-based supermarket in July 2015 called "Merkado" located at UP Town Center, Quezon City and Vertis, Centris Mall, Quezon City.
 - (c) San Roque Supermarkets which operates 19 supermarkets.
3. PPCI Subic, Inc. is operating one Puregold branch in Subic Bay, Olongapo City. It has 4,917.70 square meters in selling area.

H. Resignation of Directors.

No Director has resigned from his office or declined to stand for re-election to the Board since last stockholders' meeting due to any disagreements with the Company relative to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers.

A. Executive Compensation.

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

Year	Salaries	Bonus	Other Compensation
2018	P14,640,000	-	-
2017	P14,500,000	-	-
2016	P14,500,000	-	-

All other officers and directors as group unnamed

Year	Salaries	Bonus	Other Compensation
2018	P139,415,029	-	-
2017	P91,012,231	-	-
2016	P82,738,938	-	-

B. Compensation of Director

1. Standard Arrangements.

All directors receive per diem of Fifty Thousand Pesos (P50,000.00) per board meeting and Twenty Thousand Pesos (P20,000.00) per committee meeting.

2. Other Arrangements.

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

C) Employment Contracts and Termination of Employment and Change in Control Arrangements.

Executive officers are subject to existing Company's policies, rules, regulations and labor laws. Their employment may be terminated for just or authorized cause as provided by the Labor Code of the Philippines.

The executive officers are entitled to receive retirement benefits in accordance with the terms and conditions of the Company's retirement plan and other benefits prescribed by labor laws.

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

Item 7. Independent Public Accountants

The External Auditor of the Company is R.G. Manabat & Co. (KPMG). The partner-in-charge is Mr. Darwin Virocel. The Company has engaged R.G. Manabat & Co. (KPMG) since 2007 and there has been no disagreements on accounting and financial disclosure.

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

The re-appointment of R.G. Manabat & Co. (KPMG) as the Company's external auditor for 2018 is pursuant to the recommendation made by the Audit Committee.

Representatives of R.G. Manabat & Co. (KPMG) are expected to be present at the stockholders' meeting and will be available to respond to appropriate inquiry from stockholders regarding the 2017 audited financial statements, if any. They will have the opportunity to make statement if they so desire.

Audit and Audit Related Fees

The Company and subsidiaries paid R.G. Manabat & Co. (KPMG) the total amount of P4,800,000.00 for services rendered in 2016 and P4,800,000.00 for services rendered in 2017. The Company did not engage R.G. Manabat & Co. in any non-audit services.

It has been the policy of the Company, based on its Audit Committee Charter, that the Audit Committee reviews the reports of the external auditors including the audit and non-audit services rendered and fees collected by them.

Item 8. Compensation Plans

There is no other type of compensation plan as of record date. For the 2018 Annual Stockholders' Meeting, there will be no compensation plan, cash or non-cash, that will be taken up.

C. Issuance and Exchange of Securities

Item 9. Authorization or Issuance of Securities other than for Exchange

There are no actions to be taken with respect to authorization or issuance of securities otherwise than for Exchange.

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

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

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken up in relation to mergers, consolidations, acquisition or similar matters.

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. Other Matters**Item 15. Action with Respect to Reports:**

The following matters will be submitted to the stockholders for their approval and/or ratification:

1. Approval of Minutes of the 2017 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
2. Annual Report
3. Election of Regular and Independent Directors
4. Appointment of External Auditor

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter, which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-Laws or other Documents

There are no matters or actions regarding amendment of charter or by laws to be submitted in the meeting that will require the vote of stockholders.

Item 18. Other Proposed Action

Other than enumerated in Item 15 above, there are no other proposed action to be taken during the stockholders' meeting.

Item 19. Voting Procedures

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

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

Voting will be by poll. Each shareholder may cast his votes by indicating his votes on the ballot that will be given to him upon his registration in the stockholders meeting or by sending the proxy forms specifying his votes. Such stockholder may or may not cumulate his votes. The counting thereof shall be supervised by the transfer agent BDO Trust and Investments Group.

Part II - Operational and Financial Information

Market For Issuer Common Equity And Related Stockholders Matters:

The following table shows the high and low prices of the Company's shares in the Philippine Stock Exchange as of March 15, 2018, in the years 2017 and 2016, respectively.

(Source: Daily Quotation Reports of the Philippine Stock Exchange)

2018	High	Low
January	54.00	49.25
February	51.90	49.00
March	53.85	52.00

2017	High	Low
January	44.25	38.85
February	46.30	43.00
March	46.10	43.35
April	44.15	41.70
May	43.70	42.55
June	45.80	44.00
July	47.30	44.95
August	48.30	47.00
September	53.50	48.55
October	54.90	50.85
November	52.00	47.30
December	51.00	48.00

2016	High	Low
January	34.20	30.50
February	34.50	33.15
March	37.65	33.30
April	41.50	36.35
May	42.90	38.10
June	43.40	41.00
July	49.20	42.50
August	48.75	44.90
September	45.15	41.65
October	43.50	40.40
November	44.00	39.05
December	40.00	36.00

The market capitalization of the Company's common shares as of March 15, 2018 based on the closing price of ₱53.15 per share, was approximately ₱147 billion. There are approximately 42 registered holders of common shares owning at least 1 board lot per 100 share as of March 15, 2017.

The following are the top 20 registered holders of the Company's securities, number of shares and percentage to the outstanding shares as of December 31, 2017:

Cosco Capital, Inc.	1,410,867,188	51%
The HSBC	321,057,429	12%
Deutsche Bank Manila	277,178,216	10%
Lucio L. Co	211,088,022	8%
Susan P. Co	178,242,585	6%
Citibank N.A.	118,757,249	4%
Government Service Insurance System	47,507,702	2%
Standard Chartered Bank	28,341,272	1%
Ferdinand Vincent P. Co	26,709,460	1%
Pamela Justine P. Co	26,709,460	1%
Banco De Oro-Trust Banking Group	23,872,575	1%
COL Financial Group, Inc.	9,727,575	0%
MBTC – Trust Banking Group	9,218,991	0%
BPI Securities Corporation	8,769,047	0%
Camille Clarisse P. Co	8,155,288	0%
Social Security System	6,713,420	0%
Wealth Securities, Inc.	6,204,360	0%
RCBC Trust & Investment Division	4,677,270	0%
SB Equities, Inc.	4,173,589	0%
A&A Securities, Inc.	4,021,200	0%
Ansaldo, Godinez & Co., Inc.	3,797,791	0%

Dividend.

The Company declared the following dividends from the year 2012 to 2017:

Dividend and Declaration Date	Record Date	Payment Date
₱ 0.20 per share / May 8, 2012	May 22, 2012	June 5, 2012
₱ 0.20 per share / December 27, 2012	January 14, 2013	February 7, 2013
₱ 0.30 per share / December 16, 2013	January 6, 2014	January 30, 2014
₱ 0.30 per share / December 18, 2014	January 12, 2015	February 5, 2015
₱ 0.30 per share / December 18, 2015	January 8, 2016	January 18, 2016
₱ 0.30 per share / December 22, 2016	January 12, 2017	January 20, 2017
₱ 0.40 per share / December 15, 2017	January 2, 2018	January 26, 2018

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

Part III - Information Required in a Proxy Form

Item 1. Instructions. The Proxy Form, must be properly signed, dated and returned by the stockholder on or before May 1, 2018. It is not required to be notarized. Validation of proxies will be held at the Company's principal office on May 3, 2018 at 4:00 pm. For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy.

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

Subject to a stockholder's right to revoke his own proxy as stated in Item 2 below, the proxy given by a stockholder shall be voted by the Company's Chairman of the Board, Mr. Lucio L. Co, or President, Mr. Ferdinand Vincent P. Co, with full power of substitution and delegation, in accordance with the authorization specifically granted by the stockholder.

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

Item 2. Revocability of Proxy. A stockholder giving a proxy has the power to revoke it at any time before the right granted under and by virtue of such proxy is exercised, either: (a) by submitting a sworn statement revoking such proxy on or before May 1, 2018; or, (b) by appearing at the Meeting in person and expressing his intention to vote in person.

Part III - Signature Page

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

This report is signed in the City of Manila on the 5th day of April 2018.

Puregold Price Club, Inc.

By:


Candy H. Dacanay-Datuon
Assistant Corporate Secretary

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 2016 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:

	2016	2015	2014
Current Ratio ⁽¹⁾	1.73:1	1.58:1	1.48:1
Asset to Equity Ratio ⁽²⁾	1.51:1	1.53:1	1.57:1
Debt to Equity Ratio ⁽³⁾	0.51:1	0.53:1	0.57:1
Debt to Total Assets ⁽⁴⁾	0.34:1	0.35:1	0.36:1
Book Value per Share ⁽⁵⁾	P15.61	P13.89	P12.38
	2016	2015	2014
Earnings per Share ⁽⁶⁾	P2.00	P1.81	P1.63
Price Earnings Ratio ⁽⁷⁾	19.47x	19.19x	23.59x
Return on Assets ⁽⁸⁾	8.9%	8.9%	8.8%
Return on Equity ⁽⁹⁾	13.6%	13.8%	13.9%

(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, 2016, the Group earned a consolidated net income of P5,526 million at 4.9% net margin and an increase of 10.5% from P5,002 million at 5.1% net margin in 2015 of the same period. This was principally driven by the continuous expansion of the 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 complemented by sustained 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)	2016			2015			2014		
		% to Sales	% Change		% to Sales	% Change		% to Sales	
Net Sales	P112,589	100.0%	15.9%	P97,172	100.0%	14.7%	P84,697	100.0%	
Cost of Sales	94,051	83.5%	16.6%	80,683	83.0%	15.4%	69,937	82.6%	
Gross Profit	18,538	16.5%	12.4%	16,489	17.0%	11.7%	14,760	17.4%	
Other Operating Income	3,266	2.9%	13.2%	2,886	3.0%	12.6%	2,563	3.0%	
Gross Income	21,805	19.4%	12.5%	19,375	19.9%	11.8%	17,323	20.5%	
Operating Expenses	13,707	12.2%	12.1%	12,225	12.6%	12.7%	10,845	12.8%	
Operating Income	8,097	7.2%	13.3%	7,150	7.4%	10.4%	6,478	7.6%	
Other income(expenses)	(180)	-0.2%	299.7%	(45)	0.0%	128.2%	(20)	0.0%	
Net Income before tax	7,917	7.0%	11.4%	7,105	7.3%	10.0%	6,458	7.6%	
Income tax expense	2,391	2.1%	13.7%	2,103	2.2%	8.5%	1,938	2.3%	
Net Income after tax	P5,526	4.9%	10.5%	P5,002	5.1%	10.6%	P4,520	5.3%	

Comparative years 2016 and 2015

Net Sales

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

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

Gross Profit

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

Other Operating Income

Other operating income increased by P380 million or 13.2% from P2,886 million in the year ended December 31, 2015 to P3,266 million in 2016 of the same period. This is attributable to increase in display allowance, rent income, membership income and other supplier supports driven mainly by new stores offering new spaces for product displays and booths for third party retailers and other promotions to increase customer and supplier's supports.

Operating Expenses

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

Other Expense - net

Other expenses net of other income amounted to P180 million and P45 million for the years ended December 31, 2016 and 2015, respectively. The increase was due to interest expenses from additional bank loans availed during the period and recognition of share in net loss of Joint Venture.

Net Income

For the year ended December 31, 2016, the Group earned a consolidated net income of P5,526 million at 4.9% net margin and an increase of 10.5% from P5,002 million at 5.1% net margin in 2015 of the same period. This was principally driven by the continuous expansion of the 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 complemented by sustained operating efficiencies and strategic costs controls on operating expenses at its current level.

Comparative years 2015 and 2014

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

Financial Position

The Group's consolidated financial position as at December 31, 2016, 2015 and 2014 are presented below:

(In millions)	2016			2015			2014	
		% to Total Assets	% Change		% to Total Assets	% Change		% to Total Assets
Cash & Cash Equivalents	P6,416	9.8%	2.7%	P6,246	10.8%	-7.6%	P6,758	12.8%
Receivables – net	3,881	5.9%	44.6%	2,683	4.8%	37.9%	1,948	3.6%
Investments in trading securities	35	0.1%	2.0%	34	0.1%	-8.1%	37	0.1%
Merchandise inventory	16,488	25.2%	27.0%	12,983	22.1%	16.3%	11,167	20.8%
Prepaid expenses and other current assets	982	1.5%	-8.0%	1,067	1.8%	86.3%	573	1.1%
Total Current Assets	27,802	42.5%	20.8%	23,014	39.1%	12.4%	20,481	38.2%
Investments and acquisitions of subsidiaries	800	1.2%	-7.9%	868	1.5%	9.7%	792	1.5%
Property and equipment- net	15,712	24.0%	12.0%	14,034	23.8%	6.9%	13,132	24.5%
Intangibles and goodwill	19,561	29.9%	0.2%	19,521	33.2%	8.3%	18,017	33.6%
Other noncurrent assets	1,509	2.3%	7.3%	1,406	2.4%	12.9%	1,245	2.3%
Total Noncurrent Assets	37,581	57.5%	4.9%	35,829	60.9%	8.0%	33,185	61.8%
	P65,383	100.0%	11.1%	P58,844	100.0%	9.6%	P53,666	100.0%
Accounts payable and accrued expenses	9,645	14.8%	-1.4%	9,778	16.6%	-6.6%	10,465	19.5%
Short-term loans payable	5,018	7.7%	59.9%	3,138	5.3%	130.1%	1,364	2.5%
Income tax payable	844	1.3%	11.1%	759	1.3%	15.0%	660	1.2%
Trust receipts payable	-	0.0%	-100.0%	5	0.0%	0.0%	-	0.0%
Due to related parties	34	0.1%	13.5%	30	0.1%	11.7%	27	0.0%
Current maturities of long - term loans, net of debt issue costs	120	0.2%	-78.9%	570	1.0%	-40.8%	963	1.8%
Other current liabilities	402	0.6%	23.0%	327	0.8%	-8.5%	357	0.7%
Total Current Liabilities	16,062	24.6%	10.0%	14,606	24.8%	5.6%	13,835	25.8%
Noncurrent accrued rent	2,910	4.5%	16.7%	2,493	4.2%	20.5%	2,069	3.9%
Long-term loans - net of current maturities and debt issue costs	2,397	3.7%	0.1%	2,395	4.1%	-3.9%	2,493	4.6%
Deferred tax liabilities – net	371	0.6%	-25.2%	496	0.8%	-22.7%	642	1.2%
Retirement benefits liability	469	0.7%	6.7%	440	0.7%	11.5%	394	0.7%
Total Noncurrent Liabilities	6,147	9.4%	5.6%	5,824	9.9%	4.0%	5,598	10.4%
Total Liabilities	P22,210	34.0%	8.7%	P20,430	34.7%	5.1%	P19,433	36.2%
Capital stock	2,785	4.3%	0.0%	2,785	4.7%	0.1%	2,783	5.2%
Additional paid in capital	20,830	31.9%	0.0%	20,830	35.4%	0.0%	20,830	38.8%
Remeasurements of retirement liability - net of tax	63	0.1%	-9706.6%	(1)	0.0%	-98.4%	(42)	-0.1%
Treasury stock, at cost	(57)	-0.1%	0.0%	(57)	-0.1%	172.5%	(21)	0.0%
Retained earnings	19,551	29.9%	31.6%	14,855	25.2%	39.1%	10,683	19.9%
Total Equity	43,173	66.0%	12.4%	38,413	65.3%	12.2%	34,233	63.8%
	P65,383	100.0%	11.1%	P58,844	100.0%	9.6%	P53,666	100.0%

Comparative Years 2016 and 2015

Current Assets

As at December 31, 2016 and 2015, total current assets amounted to P27,802 million or 42.5% of total assets, and P23,014 million or 39.1% of total assets, respectively, for an increase of P4,787 million or 20.8%.

Cash and cash equivalents as at December 31, 2016 amounted to P6,416 million or 9.8% of total assets and increased by P169 million or 2.7% compared to previous year-end balance.

Receivables amounted to P3,881 million as at December 31, 2016 or 5.9% of total assets, with an increase of P1,198 million or 44.6% from P2,683 million in December 2015. The growth was due to increase in sales during the year related to full year operation of new organic and acquired stores.

Merchandise inventory amounted to P16,488 million or 25.2% of total assets at the end of December 2016. Total inventory increased by P3,505 million or 27.0% principally due to stocking requirements of new organic and acquired stores.

Investments in trading securities amounted to P35 million as at December 31, 2016 from P34 million in December 2015 and increased by P1 million or 2.0% due to unrealized gain from changes in fair market values.

Prepaid expenses and other current assets decreased by P85 million or 8.0% due to application of input VAT, against output VAT, on purchase of inventory and payment of various expenses. This was slightly offset by the increase in prepaid expenses from availment of new policies for insurance of new stores and advance payment of rent for soon to open stores.

Noncurrent Assets

As at December 31, 2016 and 2015, total noncurrent assets amounted to P37,581 million or 57.5% of total assets, and P35,829 million or 60.9% of total assets, respectively, for an increase of P1,752 million or 4.9% as at December 31, 2016.

Investments Decreased by P68 million or 7.9% from P868 million in December 2015 to P800 million in December 2016 due mainly to recognition of share in net losses during the year from its unconsolidated joint venture affiliate, Ayagold Retailers and PG Lawson Company, Inc..

Net book values of property and equipment increased by P1,678 million or 12.0% from P14,034 million in December 2015 to P15,712 million in December 2016. This was due principally to capital expenditures pertaining to new stores established during the period.

Intangibles and goodwill amounted to P19,561 million and P19,521 million for the years ended December 31, 2016 and 2015, respectively.

Other noncurrent assets increased by P103 million or 7.3% from P1,406 million in December 2015 to P1,509 million in December 2016. 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, 2016 and 2015, total current liabilities amounted to P16,062 million or 24.6% of total assets, and P14,606 million or 24.8% of total assets, respectively, for an increase of P1,456 million or 10.0%

Accounts payable and accrued expenses decreased by P133 million or 1.4% primarily due to settlement of trade and nontrade liabilities as at the end of December 2016.

Loans payable increased by P1,880 million or 59.9% from P3,138 million in December 2015 to P5,018 million in December 2016 due to additional availment of short term loans during the period intended to augment general working capital requirements.

Income tax payable increased by P84 million from P759 million in December 2015 to P844 million in December 2016 due to recognition of tax liabilities due for the year related to income earned during the year ended December 31, 2016.

Due to related parties amounted to P34 million and P20 million for the year ended December 2016 and 2015, respectively. This pertains to royalty fees.

Current maturities of long-term debt decreased by P450 million due to settlement made as at December 31, 2016.

Other current liabilities decreased by P75 million or 23.0% from P327 million in December 2015 to P402 million in December 2016 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, 2016 and 2015, total noncurrent liabilities amounted to P6,147 million or 9.4% of total assets, and P5,824 million or 9.9% of total assets, respectively, for an increase of P324 million or 5.6%

Noncurrent accrued rent increased by P417 million or 16.7% from P2,493 million in December 2015 to P2,910 million in December 2016 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 P125 million or 25.2% due to increase in deferred tax assets arising from accrual of rent expense and recognition of retirement liability

Equity

As at December 31, 2016 and 2015, total equity amounted to P43,173 million or 66.0% of total assets and P38,413 million or 65.3% of total assets, respectively, for an increase of P4,760 million or 12.4% 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 2016, the account increased by P63 million due to unrealized gain on re-measurement of defined benefit liability.

Retained earnings increased by P4,697 million or 31.6% coming from net after-tax income realized net of cash dividend declared during the current year.

Treasury stock amounted to P57 million for the year ended December 31, 2016 and 2015.

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.

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>	2016	2015	2014
Net cash provided by operating activities	P2,795	P3,327	P3,472
Net cash used in investing activities	(3,226)	(4,256)	(1,658)
Net cash provided by (used in) financing activities	600	417	(354)
Net increase in cash and cash equivalents	169	P512	P1,460

Cash flows from operating activities

Net cash provided by operating activities amounted to P2,795 million, P3,327 million and P3,472 million for the years ended December 31, 2016, 2015 and 2014, respectively. This was mainly due to increase in operating income driven by aggressive store expansion.

Cash flows used in investing activities

Net cash used in investing activities amounted to P3,226 million, P4,256 million and P1,658 million for the years ended December 31, 2016, 2015 and 2014, respectively. Capital expenditures for acquisitions of equipment, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounted to P3,087 million in 2016 and P2,097 million in 2015.

Cash flows from (used in) financing activities

Net cash provided by financing activities amounted to P600 million and P417 million in 2016 and 2015, respectively, 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.

	For the years ended December 31,		
<i>(In millions)</i>	2016	2015	2014
Office and store equipment	P992	P455	P478
Furniture and fixtures	199	131	219
Leasehold improvements	1,226	690	404
Building	326	317	58
Land	-	17	-
Construction in progress	344	487	641
Total	P3,087	P2,097	P1,799

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.

COVER SHEET

For AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	8	1	3	7	5	4
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COMPANY NAME

P	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
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Department requiring the report

--

Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

www.puregold.com.ph

Company's Telephone Number/s

(02) 548-7110

Mobile Number

--

No. of Stockholders

--

Annual Meeting (Month / Day)

May 2

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The 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, 2016, 2015 and 2014



PUREGOLD PRICE CLUB, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

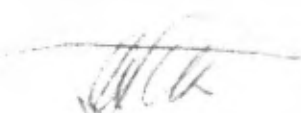
The management of Puregold Price Club, Inc. and Subsidiaries (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

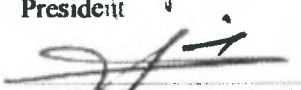
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

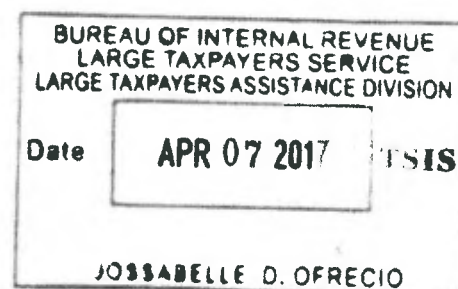
R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such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


LUCIO L. CO
Chairman


FERDINAND VINCENT P. CO
President


TEODORO A. POLINGA
Comptroller

Signed this 31 day of MARCH, 2017



SUBSCRIBED AND SWORN to before me this 7th day of April 2017, affiants exhibiting to me their respective Tax Identification Number, as follows:

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

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

Doc. No. 238
Page No. 40
Book No. VI
Series of 2017

CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
APPOINTMENT NO. 2016-068
UNTIL DECEMBER 31, 2017
PTR NO. 5993451 MANILA 01-03-17
IBP NO. 1062578/2-2-17/PPLM
MCLE COMPLIANCE NO. V-0014291/02-16-2016
ROLL NO. 55392/05-02-08
NO. 900 ROMUALDEZ ST., PACO, MANILA 1007



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

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

Opinion

We have audited the consolidated financial statements of Puregold Price Club, Inc. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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



Key Audit Matters

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

Revenue Recognition (P112.59 billion)

Refer to Note 3 to the consolidated financial statements.

The risk

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

Our response

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

- We evaluated the relevant IT systems and tested the internal controls over the completeness, accuracy and timing of revenue recognized in the consolidated financial statements.
- We checked on a sampling basis, sales transactions for the last week sales of the financial year and also the first week sales of the following financial year to the sales documents to assess whether these transactions are recorded in the correct financial year.
- We tested journal entries posted to revenue accounts to identify unusual or irregular items.
- We applied data analysis techniques to test the appropriateness of the level of revenue transactions.

Valuation of Goodwill, Trademark and Customer Relationships (P19.31 billion)

Refer to Note 11 to the consolidated financial statements.

The risk

The Group holds a significant amount of goodwill, trademark and customer relationships as a result of several business acquisitions. The annual impairment test was significant to our audit as the assessment process is complex and judgmental by nature as it is based on assumptions on future market and/or economic conditions. The assumptions used included future cash flow projections, growth rates, discount rates and sensitivity analyses.



Our response

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

- We tested the integrity of the discounted cash flow model. This involved evaluating the models used and assumptions applied and comparing these assumptions to external data, where applicable. The key assumptions include sales volume, selling price and gross profit margin.
- We compared the Group's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost of inflation and discount rates, as well as performing break-even analysis on the assumptions.
- We compared the sum of the discounted cash flows to the entities' market capitalization to assess the reasonableness of those cash flows.
- We also assessed the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected in the risks inherent to the valuation of goodwill, trademark and customer relationships.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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



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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

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

R.G. MANABAT & CO.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-A, Group A, valid until April 30, 2017

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-31-2016

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

PTR No. 5904948MD

Issued January 3, 2017 at Makati City

March 31, 2017

Makati City, Metro Manila

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

APR 07 2017

December 31

	Note	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	4	P6,415,883,385	P6,246,493,017
Receivables - net	5, 21	3,880,855,791	2,683,095,896
Merchandise inventory	6	16,487,824,308	12,982,832,312
Investments in trading securities	7	35,109,026	34,432,591
Prepaid expenses and other current assets	8	981,917,114	1,067,412,107
Total Current Assets		27,801,589,624	23,014,265,923
Noncurrent Assets			
Investments	9	799,650,607	868,090,606
Property and equipment - net	10	15,711,622,356	14,033,740,857
Intangibles and goodwill	11	19,560,586,068	19,521,120,953
Other noncurrent assets	12, 17	1,509,265,101	1,406,322,979
Total Noncurrent Assets		37,581,124,132	35,829,275,395
		P65,382,713,756	P58,843,541,318
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	13, 21, 24	P9,643,659,389	P9,777,695,220
Short-term loans payable	14	5,017,500,000	3,137,500,000
Income tax payable		843,546,943	759,221,135
Trust receipts payable		-	5,182,021
Due to related parties	21	33,776,623	29,769,412
Current maturities of long-term loans, net of debt issue costs	14	120,000,000	570,000,000
Other current liabilities	15	403,864,343	327,126,019
Total Current Liabilities		16,062,347,298	14,606,493,807
Noncurrent Liabilities			
Noncurrent accrued rent	17	2,909,884,084	2,492,888,910
Long-term loans - net of current maturities and debt issue costs	14	2,397,096,658	2,395,062,298
Deferred tax liabilities - net	23	371,119,850	496,007,867
Retirement benefits liability	22	469,257,995	439,871,673
Total Noncurrent Liabilities		6,147,358,587	5,823,830,748
Total Liabilities		22,209,705,885	20,430,324,555
Equity			
Capital stock	24	2,785,362,877	2,785,362,877
Additional paid-in capital	24	20,830,391,081	20,830,391,081
Remeasurements of retirement benefits liability - net of tax	22	62,524,278	(650,846)
Treasury stocks, at cost	24	(56,702,280)	(56,702,280)
Retained earnings	24	19,551,431,915	14,854,815,931
Total Equity		43,173,007,871	38,413,216,763
		P65,382,713,756	P58,843,541,318

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2016	2015	2014
NET SALES				
Gross sales		P112,818,373,088	P97,372,662,646	P84,884,298,033
Sales discount		229,006,848	201,142,782	186,907,241
		112,589,366,240	97,171,519,864	84,697,390,792
COST OF SALES	6, 16	94,051,006,454	80,682,778,314	69,937,457,572
GROSS PROFIT		18,538,359,786	16,488,741,550	14,759,933,220
OTHER OPERATING INCOME	18	3,266,188,001	2,885,854,330	2,562,761,566
		21,804,547,787	19,374,595,880	17,322,694,786
OPERATING EXPENSES	19	13,707,403,016	12,225,076,570	10,844,793,213
INCOME FROM OPERATIONS		8,097,144,771	7,149,519,310	6,477,901,573
OTHER INCOME (EXPENSES)				
Interest income	4	12,686,675	18,502,923	17,682,206
Interest expense	14	(101,469,303)	(70,303,437)	(47,261,984)
Share in results of joint ventures and associate	9	(68,439,999)	(10,911,580)	(17,273,851)
Others - net	7, 20	(22,557,840)	17,732,911	27,146,338
		(179,780,467)	(44,979,183)	(19,707,291)
INCOME BEFORE INCOME TAX		7,917,364,304	7,104,540,127	6,458,194,282
INCOME TAX EXPENSE				
Current		2,550,889,317	2,266,251,752	2,098,444,680
Deferred		(159,755,419)	(163,583,211)	(160,708,084)
	23	2,391,133,898	2,102,668,541	1,937,736,596
NET INCOME		5,526,230,406	5,001,871,586	4,520,457,686
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit liability	22	90,219,876	59,015,910	(56,344,990)
Income tax relating to items that will not be reclassified subsequently		(27,044,752)	(17,704,773)	16,903,497
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		63,175,124	41,311,137	(39,441,493)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P5,589,405,530	P5,043,182,723	P4,481,016,193
Basic and diluted earnings per share	26	P2.00	P1.81	P1.63

See Notes to the Consolidated Financial Statements.

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

	Note	Years Ended December 31				
		Capital Stock	Additional Paid-in Capital	Remeasurements of Retirement Liability	Retained Earnings	Treasury Stocks - At Cost
Balance at January 1, 2014		P2,783,317,412	P20,830,391,081	(P2,520,490)	P6,992,023,004	(P16,911,006)
Total comprehensive income						
Net income for the year		-	-	-	4,520,457,686	-
Other comprehensive income - net of tax		-	-	(39,441,493)	-	-
Total comprehensive income		-	-	(39,441,493)	4,520,457,686	-
Transactions with owners of the Parent Company						
Treasury shares - at cost	24	-	-	-	-	(3,899,602)
Cash dividends	24	-	-	-	(829,921,923)	-
Total transactions with owners of the Parent Company		-	-	-	(829,921,923)	(3,899,602)
Balance at December 31, 2014		2,783,317,412	20,830,391,081	(41,961,983)	10,682,558,767	(20,810,608)
Total comprehensive income						
Net income for the year		-	-	-	5,001,871,586	-
Other comprehensive income - net of tax		-	-	41,311,137	-	-
Total comprehensive income		-	-	41,311,137	5,001,871,586	-
Transactions with owners of the Parent Company						
Issuance of ordinary shares/effect of merger with Company E	24	2,045,465	-	-	-	(2,045,465)
Treasury shares - at cost	24	-	-	-	-	(33,846,207)
Cash dividends	24	-	-	-	(829,614,422)	-
Total transactions with owners of the Parent Company		2,045,465	-	-	(829,614,422)	(33,846,207)
Balance at December 31, 2015		2,785,362,877	20,830,391,081	(650,846)	14,854,815,931	(56,702,280)
Forward						

	Note	Years Ended December 31				
		Capital Stock	Paid-in Capital	Remeasurements of Retirement Liability	Retained Earnings	Treasury Stocks - At Cost
Total comprehensive income						
Net income for the year		P -	P -	P -	P5,526,230,406	P -
Other comprehensive income - net of tax		-	-	63,175,124	-	-
Total comprehensive income		-	-	63,175,124	5,526,230,406	-
Transactions with owners of the Parent Company						
Cash dividends	24	-	-	-	(829,614,422)	-
Balance at December 31, 2016		P2,785,362,877	P20,830,391,081	P62,524,278	P19,551,431,915	(P56,702,280)
						P43,173,007,871

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P7,917,364,304	P7,104,540,127	P6,458,194,282
Adjustments for:				
Depreciation and amortization	10, 11, 19	1,408,708,815	1,279,462,358	1,185,445,441
Rent expense in excess of billings		416,995,174	424,382,373	469,137,739
Retirement benefits cost	19, 22	119,606,198	104,549,247	76,327,067
Interest expense	14	101,469,303	70,303,437	47,261,984
Share in results of joint ventures and associate	9	68,439,999	10,911,580	17,273,851
Unrealized valuation loss (gain) in trading securities	7, 20	(676,435)	3,852,970	(8,581,093)
Loss (gain) on disposal of property and equipment	20	(2,031)	409,068	73,974
Dividend income	20	(824,831)	(921,431)	(821,351)
Interest income	4	(12,686,675)	(18,502,923)	(17,682,206)
Gain on insurance claim	20	-	(38,721,770)	(26,143,753)
Unrealized foreign exchange gain		-	-	(3,077)
Operating income before changes in working capital		10,018,393,821	8,940,265,036	8,200,482,858
Decrease (increase) in:				
Receivables		(1,197,759,895)	(691,183,537)	(728,657,804)
Merchandise inventory		(3,504,991,996)	(1,816,059,660)	(1,725,244,030)
Investments in trading securities		-	(837,092)	-
Prepaid expenses and other current assets		(131,706,152)	(511,571,005)	34,968,149
Increase (decrease) in:				
Accounts payable and accrued expenses		(152,513,178)	(528,106,689)	(578,788,322)
Trust receipts payable		(5,182,021)	5,182,021	(16,543,219)
Due to related parties		4,007,211	3,115,409	(52,709,004)
Other current liabilities		76,738,324	(30,334,683)	85,494,582
Cash generated from operations		5,106,986,114	5,370,469,800	5,219,003,210
Interest received		12,686,675	18,502,923	17,682,206
Interest paid		(178,135,991)	(69,763,200)	(146,768,235)
Income taxes paid		(2,241,539,714)	(1,991,807,098)	(1,618,091,928)
Net cash provided by operating activities		2,699,997,084	3,327,402,425	3,471,825,253

Forward

Years Ended December 31				
	Note	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	10	(P2,963,986,540)	(P2,513,405,067)	(P1,692,374,794)
Increase in intangibles	11	(69,082,719)	(1,529,554,502)	(28,558,800)
Increase in other noncurrent assets		(102,942,122)	(181,747,576)	(78,525,743)
Dividends received		824,831	921,431	821,351
Proceeds from disposal of property and equipment		4,194,256	16,696,755	8,187,857
Additions to investments	9	-	(87,500,000)	(369,000,800)
Proceeds from insurance claim		-	38,721,771	26,143,753
Maturity of short-term investments		-	-	500,000,000
Contributions paid in plan assets	22	-	-	(25,000,000)
Net cash used in investing activities		(3,130,992,294)	(4,255,867,188)	(1,658,307,176)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term loans payable	14	(450,000,000)	(393,700,000)	-
Payment of short-term loans payable		(1,650,000,000)	(703,500,000)	-
Availment of short-term loans payable	14	3,530,000,000	2,377,500,000	480,000,000
Cash dividends paid	24	(829,614,422)	(829,921,923)	(829,921,923)
Payments for treasury shares	24	-	(33,846,207)	(3,899,602)
Net cash provided by (used in) financing activities		600,385,578	416,531,870	(353,821,525)
EFFECT OF EXCHANGE RATE CHANGES ON CASH				
		-	-	3,077
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		169,390,368	(511,932,893)	1,459,699,629
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	6,246,493,017	6,758,425,910	5,298,726,281
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P6,415,883,385	P6,246,493,017	P6,758,425,910

See Notes to the Consolidated Financial Statements

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

1. Reporting Entity

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

The Parent Company is principally involved in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, pharmaceutical and medical goods, etc.) on a wholesale and retail basis. The Group has three hundred six (306) operating stores and twenty-two (22) food service stalls. Twenty-eight (28) stores and seven (7) food service stalls were newly opened in 2016. 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	
	2016	2015
Kareila Management Corporation (KMC) ^(a)	100	100
S&R Pizza (Harbor Point), Inc. ^(b)	100	100
S&R Pizza, Inc. ^(c)	100	-
PPCI Subic, Inc. (PSI) ^(d)	100	100
Entenso Equities Incorporated (Entenso) ^(e)	100	100
Goldtempo Company Incorporated (Goldtempo) ^(f)	100	100
Daily Commodities, Inc. (DCI) ^(g)	100	100
First Lane Super Traders Co., Inc. (FLSTCI) ^(g)	100	100

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

^(b) A wholly-owned subsidiary of KMC incorporated on May 25, 2015.

^(c) A wholly-owned subsidiary of KMC incorporated on June 10, 2016.

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

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

Use of Judgments, Estimates and Assumptions

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

Judgments

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

Assessing Joint Arrangements

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

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

As at December 31, 2016 and 2015, the carrying amount of its investments in joint ventures amounted to P367.35 million and P432.40 million, respectively (see Note 9).

Distinction between Investment Property and Property and Equipment

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

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

Assessing Lease Agreements

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

Operating Leases - Group as a Lessee

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

Rent expense recognized in profit or loss amounted to P2,515.69 million, P2,276.21 million and P2,104.78 million in 2016, 2015 and 2014, respectively (see Notes 17 and 19).

Operating Leases - Group as a Lessor

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

Rent income recognized in profit or loss amounted to P377.28 million, P370.81 million and P356.99 million in 2016, 2015 and 2014, respectively (see Notes 17 and 18).

Assessment of Computer Software and Licenses and Leasehold Rights

The Group acquired computer software and licenses and leasehold rights to be used for its primary line of business. 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, 2016 and 2015. In 2016 and 2015, 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 P3,880.86 million and P2,683.10 million as at December 31, 2016 and 2015, respectively (see Note 5).

Estimating Net Realizable Value (NRV) of Merchandise Inventory

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

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

The carrying amount of merchandise inventory amounted to P16,487.82 million and P12,982.83 million as at December 31, 2016 and 2015, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment

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

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

Depreciation and amortization recognized in profit or loss amounted to P1,379.09 million, P1,254.11 million and P1,172.92 million in 2016, 2015 and 2014, respectively (see Notes 10 and 19). Property and equipment, net of accumulated depreciation and amortization, amounted to P15,711.62 million and P14,033.74 million as at December 31, 2016 and 2015, respectively (see Note 10).

Estimating Useful Lives of Computer Software and Licenses and Leasehold Rights

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

Amortization recognized in profit or loss amounted to P29.62 million, P25.35 million and P12.53 million in 2016, 2015 and 2014, respectively (see Notes 11 and 19). Net carrying value of computer software and licenses and leasehold rights amounted to P245.70 million and P237.92 million as at December 31, 2016 and 2015, respectively (see Note 11).

Impairment of Goodwill, Trademark and Customer Relationships with Indefinite Lives

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

The carrying amounts of goodwill, trademarks and customer relationships with indefinite useful lives amounted to P19,314.88 million and P19,283.20 million as at December 31, 2016 and 2015, respectively (see Note 11).

Estimating Retirement Benefits Liability and Cost

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

Retirement benefits liability amounted to P469.26 million and P439.87 million as at December 31, 2016 and 2015, respectively (see Note 22).

3. Summary of Significant Accounting Policies

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

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

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

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
 - Information should not be obscured by aggregating or by providing immaterial information.
 - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
 - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
 - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Standards Issued but Not Yet Adopted

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

Effective January 1, 2017

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

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

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12).* The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
 - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
 - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

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

Effective January 1, 2018

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

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

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

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

Effective January 1, 2019

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

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply *PFRS 15 Revenue from Contracts with Customers* at or before the date of initial application of *PFRS 16*.

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

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

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

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

Basis of Consolidation

Business Combinations Under Common Control

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

Business Combinations other than Under Common Control

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

The Group measures goodwill at the acquisition date as:

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

Transactions Eliminated on Consolidation

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

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

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

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

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

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

Financial Assets at FVPL

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

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

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

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

Loans and Receivables

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

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

The Group's cash and cash equivalents, receivables and security deposits are included in this category (see Notes 4, 5, and 12).

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

AFS Financial Assets

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

The Group's AFS equity 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 9).

Other Financial Liabilities

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

The Group's accounts payable and accrued expenses, short-term loans and long-term loans payable, due to related parties, trust receipts payable, other current liabilities and noncurrent accrued rent are included in this category (see Notes 13, 14, 15, and 21).

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

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

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

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

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

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

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

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

Merchandise Inventory

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

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

Property and Equipment

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

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

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

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

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

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

Investments in Joint Ventures and Associates

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

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

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

Investment in a Joint Operation

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

Intangible Assets and Goodwill

Intangible Assets

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

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

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

Computer software and licenses and leasehold rights 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.
- *Rent Income* from property and equipment is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income, over the term of the lease.
- *Other Income* from display, demonstration or sampling, listing fee, endcap or palette income, merchandise support and miscellaneous income are recognized when earned.
- *Interest Income* is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.
- *Dividends* are recognized when the Group's right as a shareholder to receive the payment is established.

Cost of Sales

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

Operating Expenses

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

Borrowing Costs

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

Income Taxes

Current Tax

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

Deferred Tax

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Value Added Tax (VAT)

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

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

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

Leases

Group as Lessee

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Cumulative excess of rent expense over billing from lessors are presented as noncurrent accrued rent in the consolidated statements of financial position.

Group as Lessor

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

Related Parties

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

Segment Reporting

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

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

Provisions and Contingencies

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

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

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

Basic and Diluted Earnings Per Share (EPS)

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

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account as at December 31 consists of:

	<i>Note</i>	2016	2015
Cash on hand		P872,185,446	P735,964,181
Cash in banks	27, 28	1,457,275,840	1,577,093,521
Money market placements	27, 28	4,086,422,099	3,933,435,315
	28	P6,415,883,385	P6,246,493,017

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 0.50% to 2.00% in 2016, 1.60% to 2.08% in 2015, and 1.00% to 2.30% in 2014. Interest income earned from cash in banks and money market placements amounted to P12.69 million, P18.50 million, P16.58 million in 2016, 2015, and 2014, respectively.

5. Receivables

This account as at December 31 consists of:

	Note	2016	2015
Trade receivables	a, 21	P2,248,947,108	P1,471,239,823
Non-trade receivables	b, 21	1,639,371,010	1,219,318,400
		3,888,318,118	2,690,558,223
Less allowance for impairment losses on trade receivables from third parties	a	7,462,327	7,462,327
	27, 28	P3,880,855,791	P2,683,095,896

- 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, 2016 and 2015, all other receivables are collectible and therefore, no additional allowance is necessary.
- b. Non-trade receivables represent the amounts due from tenants in relation to rentals of store spaces. This account also includes due from suppliers with respect to "demo" or "sampling" conducted by suppliers' representatives and strategic locations granted to suppliers with regard to the display of their products in the selling area of the stores. It also includes advances to employees which are collected by the Group through salary deduction.

6. Merchandise Inventory

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

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

The Group's merchandise inventory as at December 31, 2016 and 2015 amounted to P16,487.82 million and P12,982.83 million, respectively.

Inventory charged to the cost of sales amounted to P94,051.01 million, P80,682.78 million and P69,937.46 million in 2016, 2015 and 2014, respectively (see Note 16).

7. Investments in Trading Securities

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

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

	<i>Note</i>	2016	2015
Cost			
Balance at beginning of the year		P15,355,998	P14,518,906
Additions		-	837,092
		15,355,998	15,355,998
Valuation Adjustments			
Balance at beginning of the year		19,076,593	22,929,563
Unrealized valuation gain (loss) on financial assets at FVPL for the year	20	676,435	(3,852,970)
		19,753,028	19,076,593
	28	P35,109,026	P34,432,591

8. Prepaid Expenses and Other Current Assets

This account as at December 31 consists of:

	2016	2015
Prepaid expenses	P557,768,260	P457,252,639
Input value added tax (VAT)	372,241,293	569,408,292
Deferred input VAT	51,907,561	40,751,176
	P981,917,114	P1,067,412,107

The details of prepaid expenses are as follows:

	<i>Note</i>	2016	2015
Rent	17	P375,748,248	P318,620,368
Taxes and licenses		65,342,856	64,648,390
Insurance		64,880,857	47,019,465
Supplies		21,568,898	-
Advances to contractors		13,987,975	16,160,000
Repairs and maintenance		7,409,696	5,818,365
Others		8,829,730	4,986,051
		P557,768,260	P457,252,639

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

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

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

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

9. Investments; Acquisitions of Subsidiaries

Investments

The details of investments are as follows:

	<i>Note</i>	2016	2015
Investment in associate	<i>b</i>	P424,424,914	P427,813,089
Investments in joint ventures	<i>a</i>	367,346,533	432,398,357
AFS financial assets	<i>c, 20</i>	7,879,160	7,879,160
		P799,650,607	P868,090,606

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

	2016	2015
Balance at beginning of the year	P318,276,913	P350,000,000
Share in net loss	(61,281,006)	(31,723,087)
	P256,995,907	P318,276,913

The summarized financial information of PLCI follows:

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

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:

	2016	2015
Balance at beginning of the year	P114,121,444	P42,726,149
Additions	-	87,500,000
Share in net loss	(3,770,818)	(16,104,705)
	P110,350,626	P114,121,444

The summarized financial information of Ayagold follows:

	2016	2015
Current assets	P128,836,435	P107,026,560
Noncurrent assets	167,581,943	186,094,527
Current liabilities	76,158,776	65,319,851
Total equity	220,259,602	227,801,236
Income	99,008,504	36,910,296
Operating expenses	106,550,140	82,535,165
Net loss	7,541,636	31,929,071

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 (loss) of SRS follow:

	2016	2015
Carrying amount		
Balance at beginning of the year	P427,813,089	P390,896,877
Share in net income (loss)	(3,388,175)	36,916,212
	P424,424,914	P427,813,089

c. *AFS Financial Assets*

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

Dividend income related to these investments amounted to P0.82 million, P0.92 million, and P0.82 in 2016, 2015, and 2014, respectively (see Note 20).

Acquisitions of Subsidiaries

The following are the developments relating to the Parent Company's investments in subsidiaries in 2016 and 2015:

Entenso Equities Incorporated (Entenso)

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

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

Company E Corporation

On January 14, 2013, the Parent Company's BOD approved the acquisition of Company E Corporation (the company behind the Eunilaine Foodmart and Grocer E Supermart chains). The Parent Company acquired 290,000 common shares of Company E representing its total outstanding shares at P1,137.93 per share through cash. Company E has seven supermarkets within Metro Manila, six in Rizal province and two in the province of Cavite which will operate the same store as the Parent Company. As at December 31, 2014, there are fourteen stores in operation, one store in Rizal was closed in the same year.

On March 25, 2014, the BOD approved the merger of the Parent Company with Company E Corporation. It was then ratified by at least two-thirds (2/3) votes of the stockholders on May 13, 2014. In April 1, 2015, upon approval by the SEC of the merger, the existence of Company E ceased and all its assets and liabilities were merged with the Parent Company.

Kareila Management Corporation

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

The Parent Company issued 766,406,250 new common shares, with P1 par value, from its own authorized but unissued capital in exchange for 1,703,125 common shares, with P100 par value per share, of Kareila representing 100% of its outstanding capital stock. The fair market value of the Company's shares based on the observable market price as at the date of acquisition is P21.50 per share or P16,477.73 million. The Company incurred acquisition-related cost of P3.83 million. This cost has been included as part of operating expenses.

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

On November 28, 2013, the BOD of Kareila resolved to increase its authorized capital stock from P500 million divided into 5 million shares, with par value of P100 per share to P3,000 million pesos divided into 30 million shares with a par value of P100 per share. Out of the increase in the authorized capital stock of P2,500 million, 25% of which or P625 million had been actually subscribed by the Parent company out of the stock dividend declared by Kareila. On the same date, the Kareila amended its articles of incorporation. Subsequently, on December 13, 2013, SEC approved the Kareila's application of its increase in authorized capital stock.

PPCI Subic Inc.

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

10. Property and Equipment

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

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, December 31, 2014	P4,500,979,213	P1,836,712,324	P4,995,484,709	P5,631,087,179	P386,605,815	P179,177,517	P17,530,046,757
Transfer-in	-	101,245,684	264,808,649	107,455,093	-	-	473,509,426
Additions	316,900,366	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)
Adjustments	-	-	-	(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
Additions	226,526,122	162,430,837	758,890,116	426,509,668	938,721	1,485,869,471	3,061,164,935
Reclassifications	100,393,352	37,036,852	230,952,626	798,104,984	(24,869,686)	(1,141,618,128)	-
Disposals	-	(1,372,834)	(5,418,958)	(575,768)	-	-	(7,367,560)
Balance, December 31, 2016	5,242,351,630	2,287,626,748	6,828,733,540	7,561,407,341	379,809,187	602,029,363	22,901,957,809
Accumulated Depreciation and Amortization							
Balance, December 31, 2014	557,883,359	599,971,805	2,482,949,880	757,728,763	-	-	P4,398,533,807
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)
Adjustments	-	(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
Depreciation and amortization	171,362,045	159,092,915	720,574,983	328,061,268	-	-	1,379,091,211
Reclassifications	-	186,558	(186,558)	-	-	-	-
Disposals	-	(67,259)	(3,108,076)	-	-	-	(3,175,335)
Balance, December 31, 2016	887,916,623	945,803,715	3,999,475,846	1,357,139,269	-	-	7,190,335,453
Carrying Amount							
December 31, 2015	P4,198,877,578	P1,302,940,392	P2,562,114,259	P5,308,280,456	P403,740,152	P257,778,020	P14,033,740,857
December 31, 2016	P4,354,435,007	P1,341,823,033	P2,829,257,694	P6,204,268,072	P379,809,187	P602,029,363	P15,711,622,356

As at December 31, 2016 and 2015, the Parent Company has outstanding payable for property additions amounting to P21.74 million and P4.89 million, respectively (see Note 13). In addition, interest expense related to loans amounting to P75.44 million and P92.22 million had been capitalized (see Note 14).

Transfer-in pertains to property and equipment of acquired and merged entities upon its acquisition as mentioned in Note 9.

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

No impairment loss was recognized in 2016 and 2015.

11. Intangibles and Goodwill

This account as at December 31 consists of:

	Note	2016	2015
Goodwill	a	P14,715,769,906	P14,684,084,973
Trademark	b	3,709,660,547	3,709,660,547
Customer relationships	b	889,452,981	889,452,981
Computer software and licenses - net	c	183,285,588	171,737,656
Leasehold rights	c	62,417,046	66,184,796
		P19,560,586,068	P19,521,120,953

a. Goodwill

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

	Note	2016	2015
Kareila		P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	a.1	838,524,672	801,839,739
DCI and FLSTCI	a.2	685,904,317	690,904,317
Gant		742,340,804	742,340,804
Company E		358,152,015	358,152,015
PJSI		11,370,121	11,370,121
Merger of PJSI and Gant to Parent Company		4,142	4,142
		P14,715,769,906	P14,684,084,973

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

On August 6, 2015, the Group through Goldtempo Corporation, a wholly owned subsidiary of Entenso, acquired substantially all of the assets of BCI, MMI and SC. Goldtempo took over the operations of 8 supermarkets located mainly in Metro Manila and Luzon.

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

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

Movement of goodwill is as follows:

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

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

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

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

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

Movement of goodwill is as follows:

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

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

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

b. Trademark and Customer Relationships

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

Impairment of Goodwill, Trademark and Customer Relationships

The recoverable amounts of goodwill, trademark and customer relationships has been determined based on value in use (VIU), using cash flow projections covering a five-year period. It is based on a long range 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, 2016 and 2015.

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, 2015	P232,841,987	P75,355,005	P308,196,992
Transfer in	9,387,434	-	9,387,434
Additions	79,290,672	-	79,290,672
Transfer - out	(51,867,660)	-	(51,867,660)
Balance, December 31, 2015	269,652,433	75,355,005	345,007,438
Additions	37,397,786	-	37,397,786
Balance, December 31, 2016	307,050,219	75,355,005	382,405,224
Accumulated Amortization			
Balance, January 1, 2015	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
Amortization	25,849,854	3,767,750	29,617,604
Balance, December 31, 2016	123,764,631	12,937,959	136,702,590
Carrying Amount			
December 31, 2015	P171,737,656	P66,184,796	P237,922,452
December 31, 2016	P183,285,588	P62,417,046	P245,702,634

12. Other Noncurrent Assets

This account consists of:

	Note	2016	2015
Security deposits	17, 27, 28	P1,387,243,564	P1,279,453,908
Prepaid rent	17	86,502,207	94,950,257
Accrued rent income	17, 23	35,519,330	31,918,814
		P1,509,265,101	P1,406,322,979

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

13. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2016	2015
Trade	21, 27, 28	P6,021,729,009	P6,457,999,306
Non-trade	21, 27, 28	1,778,722,639	1,662,591,104
Dividends payable	24, 27, 28	829,614,422	829,614,422
Withholding taxes payable		172,167,015	154,284,063
Accrued expenses:	27, 28		
Manpower agency services		561,627,984	434,949,042
Utilities		98,924,604	115,318,825
Professional fees		48,232,908	50,152,059
Rent		27,017,908	17,797,247
Fixed asset acquisition	10	21,736,891	4,886,038
Interest		3,940,506	5,165,690
Others		79,945,503	44,937,424
		P9,643,659,389	P9,777,695,220

The average credit period on purchases of certain goods from suppliers is 30 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame (see Note 27).

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

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

14. Loans Payable

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

a. Short-term Loans Payable

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

	<i>Note</i>	2016	2015
Short-term note based on 2.375%	i	P2,647,500,000	P2,247,500,000
Short-term note based on 2.5%	i	1,220,000,000	890,000,000
Short-term note based on 2.125%	i	450,000,000	-
Short-term note based on 2.00%	i	200,000,000	-
Short-term note based on 2.375%	ii	500,000,000	-
	27, 28	P5,017,500,000	P3,137,500,000

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

2016			
Execution Date	Maturity Date	Interest Rate	Principal
November 25, 2016	February 23, 2017	2.375%	P550,000,000
February 3, 2016	January 27, 2017	2.375%	500,000,000
October 28, 2016	January 26, 2017	2.500%	490,000,000
February 1, 2016	January 25, 2017	2.375%	467,500,000
February 26, 2016	February 20, 2017	2.500%	310,000,000
October 14, 2016	January 12, 2017	2.500%	300,000,000
November 29, 2016	February 27, 2017	2.375%	300,000,000
November 15, 2016	June 30, 2017	2.125%	250,000,000
August 26, 2016	January 27, 2017	2.000%	200,000,000
October 25, 2016	January 23, 2017	2.125%	200,000,000
February 15, 2016	February 8, 2017	2.375%	180,000,000
August 15, 2016	February 10, 2017	2.375%	180,000,000
January 18, 2016	January 11, 2017	2.375%	150,000,000
December 13, 2016	March 13, 2017	2.375%	150,000,000
February 9, 2016	February 1, 2017	2.375%	120,000,000
October 28, 2016	January 26, 2017	2.500%	120,000,000
October 10, 2016	April 7, 2017	2.375%	50,000,000
			P4,517,500,000
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 inventory financing and funding of short term working capital requirement. Total short term loans payable renewed and extended in 2016 amounted to P1,687.50 million.

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

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

On December 28, 2016, the Company paid matured short-term loan amounting to P200.00 million.

b. Long-term Loans Payable

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

	Note	2016	2015
Unsecured Peso Denominated			
Fixed rate note based on 3.5%	i	P1,997,096,658	P1,995,062,298
Fixed rate note based on 3.25%	ii	120,000,000	570,000,000
Fixed rate note based on 3.5%	iii	400,000,000	400,000,000
	27, 28	2,517,096,658	2,965,062,298
Less current portion		120,000,000	570,000,000
		P2,397,096,658	P2,395,062,298

- 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. During 2016, a total of P450.00 million of the loan amount was already paid. The balance was renewed at 2.375% interest rate per annum and payable on January 4, 2017.

The movements in debt issue costs are as follows:

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

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

Repayment Schedule

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

Year	2016	2015
2017	P120,000,000	P570,000,000
2018	2,000,000,000	2,000,000,000
	P2,120,000,000	P2,570,000,000

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

Interest expense from these loans amounting to P75.44 million, P92.22 million and P99.51 million were capitalized in 2016, 2015 and 2014, respectively and recognized in building and leasehold improvements under property and equipment accounts (see Note 10). Remaining interest expense that was charged to profit and loss amounted to P101.47 million, P70.30 million and P47.26 million in 2016, 2015 and 2014, respectively.

15. Other Current Liabilities

This account consists of:

	Note	2016	2015
Deposits	17, 27, 28	P141,161,517	P137,849,852
Unredeemed gift certificates		102,275,712	89,430,184
Loyalty and rewards		88,449,780	15,100,407
VAT payable		48,367,991	46,178,424
Promotion fund		13,402,740	35,578,785
Others	27, 28	10,206,603	2,988,367
		P403,864,343	P327,126,019

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

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

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

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

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

16. Cost of Sales

This account for the years ended December 31 consists of:

	Note	2016	2015	2014
Beginning inventory	6	P12,982,832,312	P11,166,772,652	P9,441,528,622
Add: Purchases		97,555,998,450	82,498,837,974	71,662,701,602
Total goods available for sale		110,538,830,762	93,665,610,626	81,104,230,224
Less ending inventory	6	16,487,824,308	12,982,832,312	11,166,772,652
		P94,051,006,454	P80,682,778,314	P69,937,457,572

17. Lease Agreements

As Lessee

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

The Group is required to pay advance rental payments and security deposits on the above leases which are either fixed monthly rent or are calculated in reference to a fixed sum per square meter of area leased. These are shown under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (see Notes 8 and 12).

Rent expense included under "Operating expenses" in the consolidated statements of comprehensive income amounted to P2,515.69 million, P2,276.21 million and P2,104.78 million in 2016, 2015 and 2014, respectively (see Note 19).

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

	2016	2015	2014
Due within one year	P2,057,326,120	P1,875,675,972	P1,722,593,756
Due more than one year but not more than five years	8,688,301,793	7,989,235,677	7,233,318,698
Due more than five years	32,996,247,728	32,171,881,713	31,255,977,987
	P43,741,875,641	P42,036,793,362	P40,211,890,441

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten (1-10) years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 15).

Rent income recognized in profit or loss in 2016, 2015 and 2014 amounted P377.28 million, P370.81 million and P356.99 million, respectively (see Note 18).

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

	2016	2015	2014
Due within one year	P213,715,008	P221,218,520	P245,144,093
Due more than one year but not more than five years	257,952,124	296,252,472	423,962,002
Due more than five years	148,073,465	167,316,410	414,448,300
	P619,740,597	P684,787,402	P1,083,554,395

18. Other Operating Income

This account for the years ended December 31 consists of:

	Note	2016	2015	2014
Concession income		P1,517,079,129	P1,386,647,815	P1,331,097,191
Display allowance		615,884,283	537,081,303	368,698,644
Membership income		399,965,999	361,239,476	298,232,302
Rent income	17	377,280,913	370,812,459	356,990,187
Merchandising support		151,203,463	90,098,825	78,165,268
Listing fee		70,254,459	30,958,036	35,910,199
Demo/sampling income		12,869,896	8,554,355	8,553,169
Miscellaneous		121,649,859	100,462,061	85,114,606
		P3,266,188,001	P2,885,854,330	P2,562,761,566

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

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

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

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

Merchandising support pertains to income generated from promotional activities.

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

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

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

19. Operating Expenses

This account for the years ended December 31 consists of:

	Note	2016	2015	2014
Rent	17	P2,515,689,827	P2,276,213,516	P2,104,782,325
Manpower agency services		2,138,731,952	1,818,316,051	1,596,554,761
Communication, light and water		1,675,861,989	1,599,878,300	1,554,629,012
Salaries and wages		1,582,166,197	1,356,514,106	1,124,395,675
Depreciation and amortization	10, 11	1,408,708,815	1,279,462,358	1,185,445,441
Security services		841,058,213	733,128,869	639,600,815
Taxes and licenses		531,072,558	444,684,977	377,879,666
Concession expense	21	477,641,920	475,968,505	478,759,373
Store and office supplies		473,174,985	436,061,717	373,809,062
Janitorial and messengerial services		424,688,008	351,641,717	306,475,798
Repairs and maintenance		373,304,387	314,858,570	241,257,899
Advertising and marketing		167,075,032	134,729,472	91,376,338
Other selling expenses		146,996,247	147,127,670	105,247,408
Insurance		150,498,306	132,564,247	121,312,667
Retirement benefits cost	22	119,606,198	104,549,247	76,327,067
SSS/Medicare and HDMF contributions		115,952,911	99,979,981	84,527,310
Input VAT allocable to exempt sales		93,802,537	81,815,742	73,214,131
Reward point expense		81,136,800	66,870,872	9,008,618
Representation and entertainment		71,300,463	94,017,565	46,761,197
Transportation		58,414,418	47,947,159	33,217,085
Fuel and oil		45,485,516	42,388,068	56,379,263
Royalty	21	42,220,356	37,211,342	33,317,078
Professional fee		32,461,112	17,225,662	37,317,414
Miscellaneous		140,354,269	131,920,857	93,197,810
		P13,707,403,016	P12,225,076,570	P10,844,793,213

20. Others

This account for the years ended December 31 consists of:

	Note	2016	2015	2014
Dividend income	9	P824,831	P921,431	P821,351
Unrealized valuation gain (loss) on trading securities	7	676,435	(3,852,970)	8,581,093
Gain (loss) on disposal of property and equipment	10	2,031	(409,068)	(73,974)
Foreign exchange loss		(435,806)	(558,444)	(795,048)
Bank charges		(23,625,331)	(P17,089,808)	(P7,530,837)
Gain on insurance claim		-	38,721,770	26,143,753
		(P22,557,840)	P17,732,911	P27,146,338

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.

21. Related Party Transactions

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

Related Party	Year	Note	Amount of Transactions for the Year	Outstanding Balances					Terms	Conditions
				Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)	Due to Related Parties		
Parent										
Dividends	2016		P423,103,355	P -	P -	P -	P423,103,355	P -	Due and	Unsecured
	2015		423,103,355	-	-	-	423,103,355	-	demandable	
	2014		423,260,180	-	-	-	423,260,180	-		
Repairs and maintenance	2016		141,256	-	141,256	-	-	-	Due and	Unsecured; no impairment
Interest expense	2016	e	6,402,604	-	-	-	663,021	-	Due and	Unsecured
Other Related Parties*										
Rent expense	2016		645,467,625	-	1,772,425	-	17,643,971	-	Due and	Unsecured; no impairment
	2015	a	584,060,827	-	-	-	14,380,058	-	demandable	
	2014		494,154,165	-	-	-	11,420,981	-		
Concession expense	2016		477,641,920	-	-	-	-	-	Due and	Unsecured
	2015	b	475,968,505	-	-	-	-	-	demandable	
	2014		478,759,373	-	-	42,428,386	-	-		
Purchase of merchandise	2016		1,570,469,568	-	-	418,764,671	-	-	Due and	Unsecured
	2015	c	1,112,612,797	-	-	494,342,576	-	-	demandable	
	2014		558,007,306	-	-	382,525,442	-	-		
Sale of merchandise	2016		74,927,413	29,483,856	-	-	-	-	Due and	Unsecured; no impairment
	2015	c	77,553,903	19,407,252	-	-	-	-	demandable	
	2014		62,468,269	11,650,098	-	-	-	-		
Other income	2015	c	2,520,217	-	2,520,217	-	-	-	Due and	Unsecured; no impairment
	2014		208,847	-	208,847	-	-	-	demandable	
Security deposits received	2016		9,943,027	-	3,277,636	-	-	-	Due and	Unsecured; no impairment
	2015	a/c	11,662,010	-	-	-	-	-	Due and	Unsecured; no impairment
	2016		9,527,741	-	7,137,745	-	79,545	-	demandable	
Repairs and maintenance	2015	c	1,584,026	-	-	-	388,502	-	Due and	Unsecured; no impairment
	2014		1,151,197	-	-	-	223,308	-	demandable	
Utilities expense	2016		186,567,509	-	1,643,156	-	244,470	-	Due and	Unsecured; no impairment
	2015	c	198,153,616	-	-	-	29,942,648	-	demandable	
	2014		216,373,776	-	-	-	16,631,640	-		
Forward							27,760,108	-		

Related Party	Year	Note	Amount of Transactions for the Year	Outstanding Balances						Due to Related Parties	Terms	Conditions
				Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)					
Communications	2016		P411,200	P -	P -	P -	P70,830	P -		Due and demandable	Unsecured	
	2015	c	310,120	-	-	-	11,167	-				
	2014		445,821	-	-	-	-	-				
Management fee	2016		6,221,557	-	-	-	2,187,694	-		Due and demandable	Unsecured	
	2015	c	13,314,921	-	-	-	5,332,398	-				
	2014		16,783,413	-	-	-	1,297,890	-				
Supplies	2016		8,918,492	-	-	-	1,427,654	-		Due and demandable	Unsecured	
	2015		8,618,045	-	-	-	2,093,305	-		Due and demandable	Unsecured	
	2016		58,830	-	-	-	45,038	-		Due and demandable	Unsecured	
Fixed asset	2015		1,086,240	-	-	-	600,000	-		Due and demandable	Unsecured	
	2016		48,925	-	-	-	12,657	-		Due and demandable	Unsecured	
	2014		3,433	-	-	-	-	-		Due and demandable	Unsecured	
Key Management Personnel	2016		42,220,356	-	-	-	-	-		Due and demandable	Unsecured	
	2015	d	37,211,342	-	-	-	-	-	33,776,623			
	2014		33,317,078	-	-	-	-	-	29,769,412			
Rent expense	2015		21,821,520	-	-	-	-	-	26,654,003			
	2014		21,821,520	-	-	-	-	-	-			
	2016		97,238,938	-	-	-	-	-	-			
Short-term benefits	2015		80,383,420	-	-	-	-	-	-			
	2014		73,344,955	-	-	-	-	-	-			
	2016			P29,483,856	P13,972,218	P418,764,671	P475,485,370		P33,776,623			
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			

*Other related parties pertain to entities under common control.

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

a. Lease of Building

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

b. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with Kareila, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) stores.
- The Consignor shall give the Consignee a trade or volume discount of its gross sales.
- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.
- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.
- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to five percent (5%) of the consignee's gross sales which was increased to fifteen percent (15%) on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of ten percent (10%) of the consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.
- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.
- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.
- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

c. Other Significant Transactions

These pertain to purchases and sale of merchandise, rent income, security deposits paid, repairs and maintenance, utilities, communications, 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, 2016 and 2015. This assessment is undertaken annually by management through examination of the financial position of related parties and the market in which they operate.

d. Royalty Agreement

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

e. Loans

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

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

22. Retirement Benefits Liability

The Parent Company and its subsidiaries has an unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2016. Valuations are obtained on a periodic basis.

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:

	2016	2015
Present value of defined benefit obligation	P494,733,328	P465,327,210
Fair value of plan assets	(25,475,333)	(25,455,537)
Retirement benefits liability	P469,257,995	P439,871,673

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

	2016	2015
Balance at January 1	P465,327,210	P419,338,336
Included In Profit or Loss		
Current service cost	98,096,474	86,869,563
Interest cost	22,764,500	18,802,184
	120,850,974	105,671,747
Included In other Comprehensive Income		
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	(55,852,131)	(61,216,545)
Experience adjustment	(35,592,725)	1,533,672
	(91,444,856)	(59,682,873)
Balance at December 31	P494,733,328	P465,327,210

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

	2016	2015
Beginning of the year	P25,455,537	P25,000,000
Interest income	1,244,776	1,122,500
Remeasurement loss	(1,224,980)	(666,963)
End of the year	P25,475,333	P25,455,537

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

	2016	2015
Remeasurements of retirement liability at beginning of year	P929,780	P59,945,690
Actuarial loss (gain) due to increase in defined benefit obligation	(90,219,876)	(59,015,910)
Remeasurements of retirement liability at end of year	(P89,290,096)	P929,780

The cumulative remeasurements of retirement benefits liability, net of deferred income taxes, amounted to P62.52 million and (P0.65) million as at December 31, 2016 and 2015, respectively, as presented in the consolidated statements of changes in equity.

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

	2016	2015
Cash in banks	P3,566,859	P18,853,459
Debt instruments - government bonds	21,705,683	6,528,968
Trust fees payable	(12,896)	(12,727)
Other	215,687	85,837
	P25,475,333	P25,455,537

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

	2016	2015
Discount rate	5.38%	4.89%
Future salary increases	8.00%	9.00%

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:

2016	Increase	Decrease
Discount rate (1% movement)	(P121,908,893)	P94,409,701
Future salary increase rate (1% movement)	111,124,460	(88,990,413)
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)

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:

	Carrying Amount	Contractual Cash Flows	2016		
			Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P494,733,328	P94,196,090	P18,894,732	P29,583,933	P61,717,462

	Carrying Amount	Contractual Cash Flows	2015		
			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

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

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

23. Income Taxes

The components of income tax expense are as follows:

	2016	2015	2014
Current tax expense	P2,550,889,317	P2,266,251,752	P2,098,444,680
Deferred tax benefit	(159,755,419)	(163,583,211)	(160,708,084)
	P2,391,133,898	P2,102,668,541	P1,937,736,596

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

	2016	2015	2014
Income before income tax	P7,917,364,304	P7,104,540,127	P6,458,194,282
Income tax expense at the statutory income tax rate:			
30%	P2,348,807,007	P2,106,319,798	P1,920,234,079
5%	4,822,949	4,173,707	5,985,042
Income tax effects of:			
Non-deductible other expenses	36,933,884	24,460,093	16,320,267
Non-deductible interest expense	1,312,588	2,237,395	2,174,360
Changes in unrecognized DTA/DTL	962,164	-	1,133,280
Dividend income subjected to final tax	(247,449)	(276,429)	(246,405)
Interest income subjected to final tax	(3,402,012)	(5,550,877)	(5,813,627)
Non-taxable income	1,944,767	(28,695,146)	(2,050,400)
	P2,391,133,898	P2,102,668,541	P1,937,736,596

The components of the Group's deferred tax liabilities (DTL) net of deferred tax assets (DTA) in respect to the following temporary differences are shown below:

	2016		2015	
	Amount	DTA (DTL)	Amount	DTA (DTL)
Accrued rent expense*	P2,909,865,855	P867,608,435	P2,478,843,163	P743,652,948
Retirement benefits liability	583,463,246	174,690,857	463,941,893	139,182,568
NOLCO	4,603,050	1,380,915	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
Recognition of DTA	389,731	116,919	389,731	116,919
DTA	3,505,784,209	1,046,035,824	2,977,672,786	893,301,835
Fair value of intangible assets from business combination	(4,599,113,528)	(1,379,734,058)	(4,599,113,528)	(1,379,734,058)
Actuarial gains	(89,290,095)	(26,765,817)	-	-
Accrued rent income	(35,519,329)	(10,655,799)	(31,918,814)	(9,575,644)
DTL	(4,723,922,952)	(1,417,155,674)	(4,631,032,342)	(1,389,309,702)
Net	(P1,218,138,743)	(P371,119,850)	(P1,653,359,556)	(P496,007,867)

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

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

24. Equity

Capital Stock and Additional Paid-in Capital

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

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

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

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

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

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

	2016	2015	2014
Authorized - 3,000,000,000 shares (P1 par value)			
Issued and outstanding			
Balance at beginning of year	2,785,362,877	2,783,317,412	2,783,317,412
Stock issuances during the period	-	2,045,465	-
Balance at end of year	2,785,362,877	2,785,362,877	2,783,317,412

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

	2016	2015	2014
Balance at beginning of year	19,981,471	17,011,006	16,911,006
Buy back during the period	-	2,970,465	100,000
Balance at end of year	19,981,471	19,981,471	17,011,006

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

Retained Earnings

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.

On December 22, 2016, the Company's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.10 per share on record date of January 12, 2017 and payment date of January 20, 2017. The total amount of dividends is P829.61 million.

The summary of dividends declared is as follows:

December 31, 2016

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

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

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

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

25. Segment Information

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

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

26. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	2016	2015	2014
Net income (a)	P5,526,230,406	P5,001,871,586	P4,520,457,686
Weighted average number of ordinary shares (b)	2,766,513,606	2,766,513,606	2,766,406,406
Basic/diluted EPS (a/b)	P2.00	P1.81	P1.63

As at December 31, 2016, 2015 and 2014, the Group has no dilutive debt or equity instruments.

27. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

	Note	2016	2015
Cash in banks and cash equivalents	4	P5,543,697,939	P5,510,528,836
Receivables - net	5	3,880,855,791	2,683,095,896
Security deposits*	12	1,387,243,564	1,279,453,908
		P10,811,797,294	P9,473,078,640

*Included under noncurrent assets.

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

2016	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	P5,543,697,939	P -	P -	P -	P -	P5,543,697,939
Receivables	2,819,816,554	480,581,538	189,998,772	390,458,927	7,462,327	3,880,318,118
Security deposits	1,387,243,564	-	-	-	-	1,387,243,564
	P9,750,758,057	P480,581,538	P189,998,772	P390,458,927	P7,462,327	P10,811,259,621

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	1,446,116,202	498,332,856	243,391,336	495,255,502	7,462,327	2,690,558,223
Security deposits	1,279,453,908	-	-	-	-	1,279,453,908
	P8,236,098,946	P498,332,856	P243,391,336	P495,255,502	P7,462,327	P9,480,540,967

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

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

Liquidity Risk

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

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

As at December 31, 2016					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P9,471,492,374	P9,471,492,374	P9,471,492,374	P -	P -
Short-term loans payable	6,017,600,000	6,055,557,029	5,055,557,029	-	-
Due to related parties	33,776,623	33,776,623	33,776,623	-	-
Long-term debt including current portion	2,517,096,658	2,601,128,413	134,008,460	2,467,119,953	-
Other current liabilities**	151,368,120	151,368,120	151,368,120	-	-
Noncurrent accrued rent	2,909,884,084	2,909,884,084	-	355,411,981	2,554,472,103

*excluding statutory payables to the government

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

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*	P9,623,411,157	P9,623,411,157	P9,623,411,157	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	-	291,259,005	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

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:

	2016	2015	2014
Financial assets (cash deposits):			
Cash in banks	P1,457,275,840	P1,577,093,521	P1,686,627,200
Money market placement	4,086,422,099	3,933,435,315	3,795,335,231
	P5,543,697,939	P5,510,528,836	P5,481,962,431

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P7.76 million, P7.71 million, P7.67 million, for the years ended December 31, 2016, 2015 and 2014, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% interest rate and on the basis that all other variables remain constant.

Other Market Price Risk

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

Capital Management

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

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

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

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

The Group is not subject to externally imposed requirements.

28. Financial Instruments

The carrying amounts of Company's financial instruments approximate their fair values as at December 31, 2016 and December 31, 2015.

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

Cash and Cash Equivalents, Receivables and Security Deposits

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

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

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

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

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

Long-term Loans including Current Maturities

The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Effective rates used in 2016 and 2015 range from 2.38% to 3.61% and 3.50% to 3.61%, respectively.

Fair Value Hierarchy

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

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

As at December 31, 2016 and 2015, 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, 2016 and 2015, the Group has not introduced any movement among Levels 1, 2 and 3 classifications.

29. Event Subsequent to Reporting Date

On March 14, 2017, the Board of Directors approved the merger of Goldtempo Company Incorporated, Daily Commodities, Inc., and First Lane Super Traders Co., Inc. into Puregold Price Club, Inc. As of report date, the Company is in the process of completing its application with the SEC.



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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
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, 2016 and 2015, included in this Form 17-A, and have issued our report thereon dated March 31, 2017.

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

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

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and 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 April 30, 2017
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2016
Issued October 18, 2016; valid until October 17, 2019
PTR No. 5904948MD
Issued January 3, 2017 at Makati City

March 31, 2017
Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SEC Supplementary Schedules and Other Documents
December 31, 2016

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	18
L	Reconciliation of Retained Earnings Available for Dividend Declaration	19

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule A

FINANCIAL ASSETS

December 31, 2016

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, 2016	Income (loss) Received
Cash and cash equivalents	-	P6,415,883,385	P6,415,883,385	P12,686,675 *
Receivables - net	-	3,880,855,791	3,880,855,791	-
Investment in trading securities	966,324	35,109,026	35,109,026	(676,435)**
Available-for-sale financial assets	726,166	7,879,160	7,879,160	824,831***
Security deposits	-	1,387,243,564	1,387,243,564	-
	1,692,490	P11,726,970,926	P11,726,970,926	P12,835,071

Notes:

* This represents interest income earned, net of final tax.

** This represents unrealized loss on valuation of investment.

*** This represents dividend income.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A's INVESTMENT IN TRADING SECURITIES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2016

Name of Issuing Entity	Number of shares	Value Based on Market Quotation at End of Reporting Period
Investment in Trading Securities (Fair Value Through Profit or Loss)		
RCBC	10,000	P335,500
PNB	10,000	546,000
Natl. Reinsurance Co. of the Phil.	5,000	273,000
Aboitiz Power	5,000	273,000
GMA PDR	20,000	671,000
Metrobank	15,000	503,250
Banco de Oro	4,500	150,975
Philex Mining Corp.	200,000	154,000
Philex Petroleum Corporation	696,824	32,202,301
	966,324	P35,109,026

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

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule C

**AMOUNTS RECEIVABLE FROM RELATED PARTIES OF PUREGOLD PRICE CLUB,
INC. (Parent Company) WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Name of related parties	Balance at beginning of year	Balance at end of year
First Lane Super Traders Co., Inc.	P164,647,780	P7,082,825
Kareila Management Corporation	476,437,259	478,265,913
Goldtempo Company Incorporated	-	1,613,476
PPCI Subic, Inc.	-	200,682,150
Daily Commodities, Inc.	92,718,296	1,434,658
	<u>P258,803,335</u>	<u>P689,079,022</u>

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

Description	Beginning balance	Additions	Amortization	Ending balance
Goodwill	P14,684,084,973	P31,684,933	P -	P14,715,769,906
Trademark	3,709,660,547	-	-	3,709,660,547
Customer relationship	889,452,981	-	-	889,452,981
Computer software - net	171,737,656	37,397,786	(25,849,854)	183,285,588
Leasehold rights	66,184,796	-	(3,767,750)	62,417,046
Total	P19,521,120,953	P69,082,719	(P29,617,604)	P19,560,586,068

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule E
LONG-TERM DEBT
DECEMBER 31, 2016

Agent / Lender	Type	Total Outstanding Balance	Amount Shown as Current	Amount Shown as Noncurrent
Metropolitan Bank & Trust Company	Fixed rate note @ 3.5%	P1,997,096,658	P -	P1,997,096,658
Metropolitan Bank & Trust Company	Fixed rate note @ 3.25%	120,000,000	120,000,000	
Metropolitan Bank & Trust Company	Fixed rate note @ 3.5%	400,000,000	-	400,000,000
Total		P2,517,096,658	P120,000,000	P2,397,096,658

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule H

CAPITAL STOCK

DECEMBER 31, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under "Capital Stock" caption in the consolidated statements of financial position	Number of treasury common shares	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares outstanding	3,000,000,000	2,785,362,877	(19,981,471)	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, 2014, the Parent Company already reacquired 100,000 shares worth P3.90 million and was classified in the Parent Company's book as treasury shares.

g. As at December 31, 2016 and 2015, the Parent Company already reacquired P37.75 million worth of shares and was classified in the Parent Company's book as treasury shares.

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

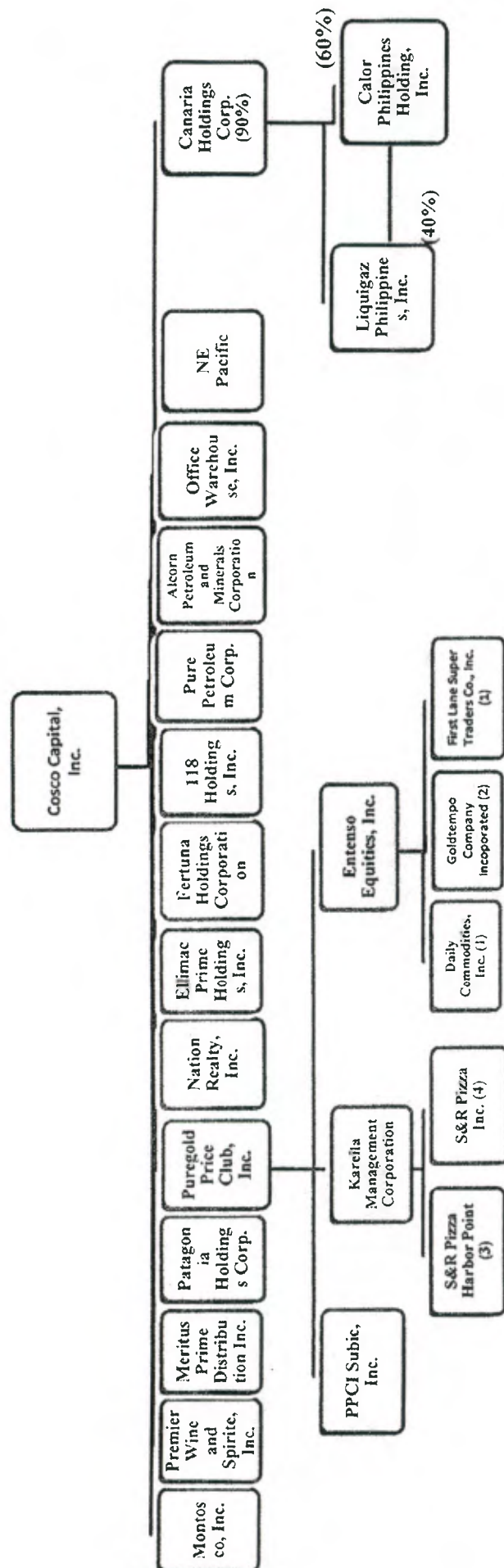
Stockholders	Related Parties	Directors, Officers and Employees	Others
Cosco Capital Inc.	P1,410,867,188	P -	P -
The HSBC Corp. Ltd.	-	-	292,682,368
Deutsche Bank Manila	-	-	267,346,650
Lucio L. Co	-	211,088,022	-
Susan P. Co	-	178,242,585	-
Citibank N.A	-	-	80,805,796
Standard Chartered Bank	-	-	39,756,026
Government Insurance System	-	-	30,477,662
Banco De Oro-Trust Banking Group	-	-	27,887,980
Ferdinand Vincent P. Co	-	26,709,460	-
Pamela Justine P. Co	-	26,709,460	-
Social Security System	-	-	14,792,960
Citibank FAO Philippine Axa Chinese	-	-	12,815,900
COL Financial Group, Inc.	-	-	8,883,419
Camille Clarisse P. Co	-	8,155,288	-
A&A Securities, Inc.	-	-	6,528,500
Ansaldo, Godinez & Co., Inc.	-	-	3,882,100
BPI Securities Corporation	-	-	3,816,383
MBTC - Trust Banking Group	-	-	3,508,721
Deutsche Regis Partners, Inc.	-	-	2,752,118
Insular Life Assurance Co., LTD	-	-	2,551,400
Leonardo B. Dayao	-	739,925	-
Marilyn V. Pardo	-	1	-
Edgardo G. Lacson	-	1	-
Katrina Marie P. Co	-	1,000,026	-
Others	-	-	103,381,467
Total	P1,410,867,188	P452,644,768	P901,869,450

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule I

MAP OF CONGLOMERATE

DECEMBER 31, 2016



1. 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.
2. 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.
3. A wholly-owned subsidiary of KMC incorporated on May 25, 2015.
4. A wholly-owned subsidiary of KMC incorporated on June 10, 2016.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Schedule J
List of Philippine Financial Reporting Standards
December 31, 2016

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
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			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39		✓	
PFRS 9 (2014)	Financial Instruments	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions		✓	
PAS 33	Earnings per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Border Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01 - Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01 - Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations			✓
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements			✓
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of investment properties - asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts		✓	

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Schedule K

FINANCIAL SOUNDNESS INDICATOR

Indicator	As of		Formula
	December 31, 2016	December 31, 2015	
Current Ratio	1.73x	1.58x	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Cash Ratio	0.40x	0.43x	$\frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$
Debt-to-Equity Ratio	0.51x	0.53x	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Debt-to-Asset Ratio	0.34x	0.35x	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Asset-to-Equity Ratio	1.51x	1.53x	$\frac{\text{Total Asset}}{\text{Total Equity}}$
Interest Rate Coverage Ratio	79.03x	102.06x	$\frac{\text{Earnings before interest and taxes}}{\text{Interest Expense}}$
Net Income Margin	4.91%	5.15%	$\frac{\text{Net Income}}{\text{Net Revenues}}$
Investment Ratio	0.01x	0.01x	$\frac{\text{Total Investment and Advances}}{\text{Total Asset}}$
Return on Assets	8.90%	8.89%	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Earnings per Share	P2.00	P1.81	$\frac{\text{Net Income}}{\text{Weighted Average Number of Ordinary Shares}}$

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

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

	<i>(Figures based on functional currency audited financial statements as at and for the year ended December 31, 2016)</i>
Unappropriated retained earnings, beginning	P10,374,431,022
Adjustments:	
Adjustment in previous year's reconciliation	(12,445,435)
Unappropriated retained earnings, as adjusted, beginning	10,361,985,587
Net income based on the face of audited financial statements	4,051,494,719
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	135,974,964
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actual/realized	4,187,469,683
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	-
Unappropriated retained earnings, as adjusted, ending	P13,719,840,848



111162017004495

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No. A199813754

Company Name PUREGOLD PRICE CLUB INC.

Industry Classification

Company Type Stock Corporation

Document Information

Document ID 111162017004495

Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)

Document Code 17-Q

Period Covered September 30, 2017

No. of Days Late 0

Department CFD

Remarks



November 16, 2017

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

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

The Philippine Stock Exchange, Inc.
3rd Floor, Ayala Triangle One,
Ayala Avenue, Makati City

Attention: **Janet A. Encarnacion**
Head – Disclosure Department

Subject: **SEC 17-Q as of September 30, 2017**

GENTLEMEN:

For submission is the attached SEC 17-Q / Third Quarter Consolidated Financial Statements of Puregold Price Club, Inc. for CY 2017.

Thank you.

Very truly yours,


ATTY. CANDICE D. DACANAY-DATUON
Assistant Corporate Secretary

COVER SHEET

A199813754

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 H. DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

12

Month

31

Day

SEC FORM 17-Q

(Form Type)

05

Month

30

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: September 30, 2017
2. Commission 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. Province, country or other jurisdiction of incorporation or organization: Manila, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: No. 900 Romualdez St., Paco, Manila Postal Code: 1007
8. Issuer's telephone number, including area code: (632) 522-8801 to 04/ (632) 523-3055
9. Former name, former address and former fiscal year, if changed since last report: N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	2,765,381,406 debt: 5,232,500,000

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

Yes [/] No []

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

Philippine Stock Exchange

Common Share

12. Indicate by check mark whether the registrant:

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

Yes [/] No []

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

Yes [/] No []

FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached **SECTION A**

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

The following should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Quarterly Report. The interim financial statements and notes thereto have been prepared in accordance with Philippine Financial Reporting Standards particularly PAS 34, Interim Financial Statements.

Top Key Performance Indicators

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

	September 2017	December 2016
Current Ratio ⁽¹⁾	2.34:1	1.73:1
Asset to Equity Ratio ⁽²⁾	1.36:1	1.51:1
Debt to Equity Ratio ⁽³⁾	0.36:1	0.51:1
Debt to Total Assets Ratio ⁽⁴⁾	0.26:1	0.34:1
Book Value per Share ⁽⁵⁾	P17.02	P15.61
Price Earnings Ratio ⁽⁶⁾	*23.70x	19.52x

** Based on annualized EPS*

	September 2017	September 2016
Earnings per Share ⁽⁷⁾	P1.41	P1.32
Return on Assets ⁽⁸⁾	6.0%	6.2%
Return on Equity ⁽⁹⁾	8.6%	9.1%

- (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) Market Value per Share over Earnings per Share
- (7) Net income after tax over Weighted Average Common Shares Outstanding
- (8) Net income after tax over Average Total Assets
- (9) Net income after tax over Average Total Equity

I. Results of Operations

For the period ended September 30, 2017, the Group earned a consolidated net income of P3,899 million at 4.5% net margin and an increase of 7.0% from P3,645 million at 4.6% net margin in the same period of 2016. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores complemented by sustained operating efficiencies and strategic costs controls on operating expenses at its current level.

The Group's comparative financial performance is presented below:

(In millions)	For the Nine-month Periods Ended September 30					For the Three-month Periods July 1 to September 30			
	2017	% to Sales	2016	% to Sales	% Change	2017	% to Sales	2016	% to Sales
Net Sales	P87,564	100.0%	P78,737	100.0%	11.2%	P30,988	100.0%	P27,680	100.0%
Cost of Sales	73,116	83.5%	65,834	83.6%	11.1%	25,937	83.7%	23,061	83.3%
Gross Profit	14,448	16.5%	12,904	16.4%	12.0%	5,051	16.3%	4,618	16.7%
Other Operating Income	2,443	2.8%	2,272	2.9%	7.5%	849	2.7%	791	2.9%
Gross Income	16,891	19.3%	15,175	19.3%	11.3%	5,900	19.0%	5,409	19.5%
Operating Expenses	11,238	12.8%	9,913	12.6%	13.4%	3,850	12.4%	3,416	12.3%
Operating Income	5,654	6.5%	5,263	6.7%	7.4%	2,050	6.6%	1,993	7.2%
Other expenses - net	(96)	-0.1%	(74)	-0.1%	29.8%	(32)	-0.1%	(30)	-0.1%
Net Income before tax	5,558	6.3%	5,189	6.6%	7.1%	2,018	6.5%	1,964	7.1%
Income tax expense	1,659	1.9%	1,544	2.0%	7.5%	607	2.0%	585	2.1%
Net Income after tax	P3,899	4.5%	P3,645	4.6%	7.0%	P1,411	4.6%	P1,378	5.0%

Net Sales

For the period ended September 30, 2017, the Group posted a consolidated net sales of P87,564 million for an increase of P8,827 million or a growth of 11.2% compared to P78,737 million in the same period of 2016. New organic stores put up in 2016 were fully operating in 2017 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores.

Like for like sales performance indicators for the period ended September 30 are as follow:

	PGOLD		S&R	
	2017	2016	2017	2016
Net Sales	4.5%	6.6%	10.7%	1.4%
Net Ticket	3.2%	6.5%	6.9%	-1.0%
Traffic	1.2%	0.2%	3.5%	2.5%

Gross Profit

For the period ended September 30, 2017, the Group realized an increase of 12.0% in consolidated gross profit from P12,904 million in 2016 at 16.4% margin to P14,448 million at 16.5% margin in the same period of 2017, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income increased by P171 million or 7.5% from P2,272 million in the nine months of 2016 to P2,443 million in the same period of 2017. This is attributable to increase in concession income, membership income, display allowance and other supplier supports driven mainly by new stores and other promotional activities conducted during the period. In 2017, S&R tied up with Unioil and offered a P3.00 discount on gasoline and P2.00 off on diesel per liter, to all members using their issued membership cards with magnetic stripes. In March 29 to April 2 and September 27 to October 1, S&R held its 5-day sale Members' Treat.

Gross Operating Income

Gross operating income realized during the nine months of 2017 amounted to P16,891 million at a gross operating margin of 19.3% which grew by 11.3% from the 2016 level of P15,175 million at 19.3% margin.

Operating Expenses

Operating expenses increased by P1,325 million or 13.4% from P9,913 million in the nine-month period ended September 30, 2016 to P11,238 million in the same period of 2017. The incremental operating expenses were mainly attributable to manpower costs, as well as rent expenses covering new lease contracts, depreciation expense and taxes, principally related to the establishment and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P96 million and P74 million for the nine-month periods ended September 30, 2017 and 2016, respectively. Interest expense increased in September 2017 due to additional short-term working capital loans availed in late 2016 and for the nine-month period ended September 30, 2017.

Net Income

For the period ended September 30, 2017, the Group earned a consolidated net income of P3,899 million at 4.5% net margin and an increase of 7.0% from P3,645 million at 4.6% net margin in the same period of 2016.

II. Financial Condition

The Group's consolidated statements of financial position as at September 30, 2017 and December 31, 2016 are presented below:

(In millions)	September 2017		December 2016		% Change
		% to Total Assets		% to Total Assets	
Cash & cash equivalents	P1,730	2.7%	P6,416	9.8%	-73.0%
Receivables – net	3,458	5.4%	3,881	5.9%	-10.9%
Merchandise inventory	18,265	28.6%	16,488	25.2%	10.8%
Investments in trading securities	42	0.1%	35	0.1%	19.2%
Prepaid expenses and other current assets	989	1.5%	982	1.5%	0.7%
Total Current Assets	24,484	38.3%	27,802	42.5%	-11.9%
Investments and acquisitions of subsidiaries	940	1.5%	800	1.2%	17.5%
Property and equipment - net	17,250	27.0%	15,712	24.0%	9.8%
Intangibles and goodwill	19,558	30.6%	19,561	29.9%	0.0%
Other noncurrent assets	1,644	2.6%	1,509	2.3%	8.9%
Total Noncurrent Assets	39,391	61.7%	37,581	57.5%	4.8%
	P63,875	100.0%	P65,383	100.0%	-2.3%
Accounts payable and accrued expenses	5,984	9.4%	9,644	14.7%	-38.0%
Short-term loans payable	3,453	5.4%	5,018	7.7%	-31.2%
Income tax payable	627	1.0%	844	1.3%	-25.6%
Due to related parties	33	0.1%	34	0.1%	-2.6%
Current maturities of long-term loans, net of debt issue costs	80	0.1%	120	0.2%	-33.3%
Other current liabilities	300	0.5%	404	0.6%	-25.7%
Total Current Liabilities	10,476	16.4%	16,062	24.6%	-34.8%
Noncurrent accrued rent	3,155	4.9%	2,910	4.5%	8.4%
Long-term loans - net of current maturities and debt issue costs	2,399	3.8%	2,397	3.7%	0.1%
Deferred tax liabilities – net	304	0.5%	371	0.6%	-18.1%
Retirement benefits liability	469	0.7%	469	0.7%	0.0%
Total Noncurrent Liabilities	6,327	9.9%	6,147	9.4%	2.9%
Total Liabilities	P16,804	26.3%	P22,210	34.0%	-24.3%
Capital stock	2,785	4.4%	2,785	4.3%	0.0%
Additional paid in capital	20,830	32.6%	20,830	31.9%	0.0%
Remeasurements of retirement liability - net of tax	63	0.1%	63	0.1%	0.0%
Treasury stock – at cost	(57)	-0.1%	(57)	-0.1%	0.0%
Retained earnings	23,450	36.7%	19,551	29.9%	19.9%
Total Equity	47,072	73.7%	43,173	66.0%	9.0%
	P63,875	100.0%	P65,383	100.0%	-2.3%

Working Capital

As at September 30, 2017 and December 31, 2016, the Group's working capital stood at P14,008 million and P11,739 million, respectively while its current ratio improved to 2.34 as at September 2017 from 1.73 as at December 2016.

Current Assets

As at September 30, 2017 and December 31, 2016, total current assets amounted to P24,484 million or 38.3% of total assets, and P27,802 million or 42.5% of total assets, respectively, for a decrease of P3,317 million or 11.9% as at September 30, 2017.

Cash and cash equivalents as at September 30, 2017 amounted to P1,730 million or 2.7% of total assets and decreased by P4,686 million or 73.0% compared to previous year-end balance. Decrease in the Group's cash position was attributable mainly to the net settlement of trade and non-trade payables, payment for 2016 cash dividend, partial settlement of loans and capital expenditures for 2017 new organic stores.

Receivables amounted to P3,458 million as at September 30, 2017 or 5.4% of total assets, with a decrease of P423 million or 10.9% from P3,881 million in December 2016. The decrease was due to collections made during the period, bulk of which came from the high year end receivables. This includes trade and non-trade receivables, net of P7 million allowance for impairment losses.

Merchandise inventory amounted to P18,265 million or 28.6% of total assets at the end of September 2017. Total inventory increased by P1,777 million or 10.8% principally due to stocking requirements of existing and new operating stores including the stocking requirements of S & R warehouses to support its second members' treat held from September 27, to October 1, 2017.

Investments in trading securities amounted to P42 million as at September 30, 2017 and P35 million in December 2016. The increase was due to recognition of unrealized gain on changes in fair value of the investments.

Prepaid expenses and other current assets amounted to P989 million and P982 million as at September 30, 2017 and December 31, 2016, respectively.

Noncurrent Assets

As at September 30, 2017 and December 31, 2016, total noncurrent assets amounted to P39,391 million or 61.7% of total assets, and P37,581 million or 57.5% of total assets, respectively, for an increase of P1,810 million or 4.8% as at September 30, 2017.

Investments amounted to P940 million and P800 million as at September 30, 2017 and December 31, 2016, respectively. The increase of P140 million was due to additional investment in PG Lawson during the period.

Net book values of property and equipment increased by P1,538 million or 9.8% from P15,712 million in December 2016 to P17,250 million in September 2017. The increase was mainly due to additions made during the period intended for newly established/operating stores.

Intangibles amounted to P19,558 million as at September 30, 2017 and P19,561 million as at December 31, 2016.

Other noncurrent assets amounted P1,644 million as at September 30, 2017 and P1,509 million as at December 31, 2016. The increase represents security deposits and advance rentals on lease contracts attributable to new organic stores

Current Liabilities

As at September 30, 2017 and December 31, 2016, total current liabilities amounted to P10,476 million or 16.4% of total assets, and P16,062 million or 24.6% of total assets, respectively, for a decrease of P5,586 million or 34.8% as at September 30, 2017.

Accounts payable and accrued expenses decreased by P3,660 million or 38.0% primarily due to settlement of trade and nontrade liabilities, bulk of which came from the high year end payables and payment of cash dividend to stockholders.

Short-term loans payable decreased by P1,565 million or 31.2% from P5,018 million in December 2016 to P3,453 million in September 2017 due to net settlement of short term loans during the period.

Income tax payable decreased by P216 million from P844 million in December 2016 to P627 million in September 2017 due to settlement made pertaining to prior year liabilities.

Due to related parties, representing royalty fees, amounted to P33 million for the period ended September 2017 and P34 million for the year ended December 2016. The decrease was due to settlement made during the period.

Current maturities of long term debt amounted to P80 million as at September 30, 2017 and P120 million as at December 31, 2016. A total of P40 million of related debt was settled during the period.

Other current liabilities decreased by P104 million or 25.7% from P404 million in December 2016 to P300 million in September 2017 relatively due to redemption of gift certificates and PERKS points earned by members and settlement of VAT payable.

Noncurrent Liabilities

As at September 30, 2017 and December 31, 2016, total noncurrent liabilities amounted to P6,327 million or 9.9% of total assets, and P6,147 million or 9.4% of total assets, respectively, for an increase of P180 million or 2.9% as at September 30, 2017.

Noncurrent accrued rent increased by P245 million or 8.4% from P2,910 million in December 2016 to P3,155 million in September 2017 due to recognition of rent expense for lease contracts entered into by the Parent Company and its subsidiaries in compliance with PAS 17 – *Leases*.

Deferred tax liabilities net of deferred tax assets amounted to P304 million and P371 million as at September 30, 2017 and December 31, 2016, respectively. The decrease was due to increase in deferred tax asset related to accrual of lease liability.

III. Sources and Uses of Cash

The Group's primary sources of liquidity are basically its net operating cash inflows augmented by availments from banks loan facilities as and when required.

Principal uses of cash are working capital requirements, capital expenditures for stores expansion as well as investments in strategic business acquisitions of existing and operating supermarket store outlets.

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

	For the Nine-month Periods Ended September 30	
<i>(In millions)</i>	2017	2016
Net cash provided by (used in) operating activities	P749	(P1,727)
Net cash used in investing activities	(3,000)	(2,609)
Net cash used in financing activities	(2,435)	(730)
Net decrease in cash and cash equivalents	(P4,686)	(P5,066)

Net cash provided by operating activities for the nine-month period ended September 30, 2017 amounting to P749 million were mainly attributable to increase in income generated from operation and decrease in operating cost during the period.

Net cash used in investing activities for the nine-month period ended September 30, 2017 amounting to P3,000 million were utilized for the acquisition of equipment, furniture & fixtures, construction of buildings and improvements on leased assets.

Net cash used in financing activities for the nine-month period ended September 30, 2017 amounting to P2,435 million pertain to payment of 2016 cash dividends to stockholders amounting to P830 million and net settlement of loans during the period.

IV. Material Events and Uncertainties

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

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

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

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

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

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

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

SECTION A

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2017, and December 31, 2016
and for the Nine Months Ended September 30, 2017 and 2016

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

		September 2017	December 2016
	Note	(Unaudited)	(Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	P1,730,334,381	P6,415,883,385
Receivables – net	5, 21	3,457,763,576	3,880,855,791
Merchandise inventory	6	18,265,064,153	16,487,824,308
Investments in trading securities	7	41,862,602	35,109,026
Prepaid expenses and other current assets	8	989,275,329	981,917,114
Total Current Assets		24,484,300,041	27,801,589,624
Noncurrent Assets			
Investments	9	939,650,607	799,650,607
Property and equipment – net	10	17,249,568,762	15,711,622,356
Intangibles and goodwill	11	19,558,273,772	19,560,586,068
Other noncurrent assets	12, 17	1,643,670,520	1,509,265,101
Total Noncurrent Assets		39,391,163,661	37,581,124,132
		P63,875,463,702	P65,382,713,756
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	13, 21, 24	P5,983,736,146	P9,643,659,389
Short-term loans payable	14	3,452,500,000	5,017,500,000
Income tax payable		627,200,146	843,546,943
Due to related parties	21	32,896,985	33,776,623
Current maturities of long-term loans, net of debt issue costs	14	80,000,000	120,000,000
Other current liabilities	15	299,886,454	403,864,343
Total Current Liabilities		10,476,219,731	16,062,347,298
Noncurrent Liabilities			
Noncurrent accrued rent	17	3,155,344,566	2,909,884,084
Long-term loans - net of current maturities and debt issue costs	14	2,398,668,130	2,397,096,658
Deferred tax liabilities – net	23	304,078,366	371,119,850
Retirement benefits liability	22	469,257,995	469,257,995
Total Noncurrent Liabilities		6,327,349,057	6,147,358,587
Total Liabilities		16,803,568,788	22,209,705,885
Equity			
Capital stock	24	2,785,362,877	2,785,362,877
Additional paid-in capital	24	20,830,391,081	20,830,391,081
Remeasurements of retirement benefits liability - net of tax	22	62,524,278	62,524,278
Treasury stocks, at cost	24	(56,702,280)	(56,702,280)
Retained earnings	24	23,450,318,958	19,551,431,915
Total Equity		47,071,894,914	43,173,007,871
		P63,875,463,702	P65,382,713,756

See Notes to the Interim Consolidated Financial Statements.

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

		For the Nine-Month Periods Ended September 30		For the Three-Month Periods July 1 to September 30	
	Note	2017	2016	2017	2016
NET SALES					
Gross sales		P87,750,396,776	P78,890,951,613	P31,057,339,976	P27,731,940,766
Sales discount		186,368,725	153,620,808	69,057,946	52,354,184
		87,564,028,051	78,737,330,805	30,988,282,030	27,679,586,582
COST OF SALES	6, 16	73,115,695,823	65,833,567,971	25,937,025,962	23,061,444,207
GROSS PROFIT		14,448,332,228	12,903,762,834	5,051,256,068	4,618,142,375
OTHER OPERATING INCOME	18	2,443,085,504	2,271,593,134	848,784,974	790,634,250
		16,891,417,732	15,175,355,968	5,900,041,042	5,408,776,625
OPERATING EXPENSES	19	11,237,635,754	9,912,597,915	3,850,343,041	3,415,579,255
INCOME FROM OPERATIONS		5,653,781,978	5,262,758,053	2,049,698,001	1,993,197,370
OTHER INCOME (EXPENSES)					
Interest income	4	12,121,243	10,165,338	3,210,437	1,080,426
Interest expense	14	(98,674,947)	(69,359,139)	(29,675,269)	(24,455,328)
Others -- net	7, 20	(9,607,960)	(14,884,914)	(5,044,284)	(6,289,230)
		(96,161,664)	(74,078,715)	(31,509,116)	(29,664,132)
INCOME BEFORE INCOME TAX		5,557,620,314	5,188,679,338	2,018,188,885	1,963,533,238
INCOME TAX EXPENSE					
Current		1,725,774,754	1,630,213,342	628,271,825	615,713,621
Deferred		(67,041,483)	(86,506,415)	(20,838,340)	(30,334,524)
	23	1,658,733,271	1,543,706,927	607,433,485	585,379,097
NET INCOME		P3,898,887,043	P3,644,972,411	P1,410,755,400	P1,378,154,141
Basic and diluted earnings per share	26	P1.41	P1.32	P0.51	P0.50

See Notes to the Interim Consolidated Financial Statements.

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

	Note	Periods Ended September 30				
		Capital Stock	Paid-in Capital	Remeasurements of Retirement Liability	Retained Earnings	Total Equity
Balance at December 31, 2015		P2,785,362,877	P20,830,391,081	(P650,846)	P14,854,815,931	P38,413,216,763
Total comprehensive income						
Net income for the year		-	-	-	3,644,972,411	3,644,972,411
Other comprehensive income - net of tax		-	-	-	-	-
Total comprehensive income					3,644,972,411	3,644,972,411
Transactions with owners of the Parent Company						
Cash dividends	24	-	-	-	-	-
Balance at September 30, 2016		P2,785,362,877	P20,830,391,081	(P650,846)	P18,499,788,342	P42,058,189,174
Balance at December 31, 2016		P2,785,362,877	P20,830,391,081	P62,524,278	P19,551,431,915	P43,173,007,871
Total comprehensive income						
Net income for the year		-	-	-	3,898,887,043	3,898,887,043
Other comprehensive income - net of tax		-	-	-	-	-
Total comprehensive income					3,898,887,043	3,898,887,043
Transactions with owners of the Parent Company						
Cash dividends	24	-	-	-	-	-
Balance at September 30, 2017		P2,785,362,877	P20,830,391,081	P62,524,278	P23,450,318,958	P47,071,894,914

See Notes to the Interim Consolidated Financial Statements

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

		Periods Ended September 30	
	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P5,557,620,314	P5,188,679,338
Adjustments for:			
Depreciation and amortization	10, 11, 19	1,193,176,027	1,041,680,399
Rent expense in excess of billings		245,590,534	301,798,784
Interest expense	14	98,674,947	69,359,139
Unrealized valuation gain in trading securities	7, 20	(6,753,576)	(2,851,180)
Gain on insurance claim		(101,339)	-
Dividend income	20	(1,817,695)	(849,991)
Interest income	4	(12,121,243)	(10,165,338)
Operating income before changes in working capital		7,074,267,969	6,587,651,151
Decrease (increase) in:			
Receivables		423,294,893	(548,918,246)
Merchandise inventory		(1,777,239,845)	(3,489,249,858)
Prepaid expenses and other current assets		(33,861,215)	(62,876,418)
Increase (decrease) in:			
Accounts payable and accrued expenses		(2,830,430,071)	(2,403,084,064)
Trust receipts payable		-	(5,182,021)
Due to related parties		(879,638)	171,456
Other current liabilities		(104,107,942)	18,611,376
Cash absorbed by operations		2,751,044,151	97,123,376
Interest received		12,121,243	10,165,338
Interest paid		(98,553,697)	(71,694,197)
Income taxes paid		(1,915,618,551)	(1,762,628,079)
Net cash provided by (used in) operating activities		748,993,146	(1,727,033,562)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	10	(2,708,235,659)	(2,460,587,459)
Increase in intangibles	11	(25,220,221)	(53,947,993)
Increase in investments		(140,000,000)	-
Increase in other noncurrent assets		(134,405,419)	(97,603,741)
Dividends received		1,817,695	849,991
Proceeds from insurance claim		(101,339)	-
Proceeds from disposal of property and equipment		6,217,215	2,024,432
Net cash used in investing activities		(2,999,927,728)	(2,609,264,770)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long-term loans payable	14	(40,000,000)	(450,000,000)
Payment of short-term loans payable		(2,050,000,000)	(930,000,000)
Availment of short-term loans payable	14	485,000,000	1,480,000,000
Cash dividends paid	24	(829,614,422)	(829,614,422)
Net cash used in financing activities		(2,434,614,422)	(729,614,422)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,685,549,004)	(5,065,912,754)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	6,415,883,385	6,246,493,017
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P1,730,334,381	P1,180,580,263

See Notes to the Interim 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. Its registered office is located at 900 Romualdez Street, Paco, Manila.

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

	Percentage of Ownership	
	2017	2016
Kareila Management Corporation (KMC) ^(a)	100	100
S&R Pizza (Harbor Point), Inc. ^(b)	100	100
S&R Pizza, Inc. ^(c)	100	100
PPCI Subic, Inc. (PSI) ^(d)	100	100
Entenso Equities Incorporated (Entenso) ^(e)	100	100
Goldtempo Company Incorporated (Goldtempo) ^(f)	100	100
Daily Commodities, Inc. (DCI) ^(g)	100	100
First Lane Super Traders Co., Inc. (FLSTCI) ^(g)	100	100

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

(b) A wholly-owned subsidiary of KMC incorporated on May 25, 2015.

(c) A wholly-owned subsidiary of KMC incorporated on June 10, 2016.

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

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying interim consolidated financial statements were approved and authorized for issuance by the BOD on November 10, 2017.

Basis of Measurement

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

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

Functional and Presentation Currency

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

Use of Judgments, Estimates and Assumptions

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

Judgments

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

Assessing Joint Arrangements

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

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

As at September 30, 2017 and December 31, 2016, the carrying amount of its investments in joint ventures amounted to P507.35 million and P367.35 million, respectively (see Note 9).

Distinction between Investment Property and Property and Equipment

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

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

Assessing Lease Agreements

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

Operating Leases - Group as a Lessee

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

Rent expense recognized in profit or loss amounted to P1,987.75 million, and P1,844.14 million in September 2017 and 2016, respectively (see Notes 17 and 19).

Operating Leases - Group as a Lessor

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

Rent income recognized in profit or loss amounted to P289.50 million and P282.35 million in September 2017 and 2016, respectively (see Notes 17 and 18).

Assessment of Computer Software and Licenses and Leasehold Rights

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

Estimates

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

Estimating Allowance for Impairment Losses on Receivables

The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length

of the Group's relationship with debtors and, their payment behavior and known market factors. The Group reviews the age and status of the receivable, and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease current assets.

The allowance for impairment losses on receivables amounted to P7.46 million as at September 30, 2017 and December 31, 2016. In 2017 and 2016, the Group did not recognize an additional allowance for impairment losses on receivables because the Group believes that all outstanding receivables are recoverable. The carrying amount of receivables amounted to P3,457.76 million and P3,880.86 million as at September 30, 2017 and December 31, 2016, respectively (see Note 5).

Estimating Net Realizable Value (NRV) of Merchandise Inventory

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

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

The carrying amount of merchandise inventory amounted to P18,265.06 million and P16,487.82 million as at September 30, 2017 and December 31, 2016, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment

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

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

Depreciation and amortization recognized in profit or loss amounted to P1,165.64 million and P1,019.76 million in September 2017 and 2016, respectively (see Notes 10 and 19). Property and equipment, net of accumulated depreciation and amortization, amounted to P17,249.57 million and P15,711.62 million as at September 30, 2017 and December 31, 2016, respectively (see Note 10).

Estimating Useful Lives of Computer Software and Licenses and Leasehold Rights

The Group estimates the useful lives and amortization methods of computer software and licenses and leasehold rights based on the period and pattern in which the

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

Amortization recognized in profit or loss amounted to P27.53 million and P21.90 million in September 2017 and 2016, respectively (see Notes 11 and 19). Net carrying value of computer software and licenses and leasehold rights amounted to P243.94 million and P245.70 million as at September 30, 2017 and December 31, 2016, respectively (see Note 11).

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

The carrying amounts of goodwill, trademarks and customer relationships with indefinite useful lives amounted to P19,314.33 million and P19,314.88 million as at September 30, 2017 and December 31, 2016, respectively (see Note 11).

Estimating Retirement Benefits Liability and Cost

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

Retirement benefits liability amounted to P469.26 million as at September 30, 2017 and December 31, 2016 (see Note 22).

3. Summary of Significant Accounting Policies

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

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

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

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to

ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

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

Standards Issued but Not Yet Adopted

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

Effective January 1, 2017

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

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

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12).* The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
 - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

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

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

Effective January 1, 2018

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

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

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

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

Effective January 1, 2019

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing

the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

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

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

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

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

Basis of Consolidation

Business Combinations Under Common Control

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

Business Combinations other than Under Common Control

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

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus

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

Transactions Eliminated on Consolidation

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

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

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

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

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

recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group had no HTM investments and FVPL financial liabilities as at September 30, 2017 and December 31, 2016.

Financial Assets at FVPL

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

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

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

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

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

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

Loans and Receivables

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

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

The Group's cash and cash equivalents, receivables and security deposits are included in this category (see Notes 4, 5, and 12).

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

AFS Financial Assets

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

The Group's AFS equity 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 9).

Other Financial Liabilities

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

The Group's accounts payable and accrued expenses, short-term loans and long-term loans payable, due to related parties, trust receipts payable, other current liabilities and noncurrent accrued rent are included in this category (see Notes 13, 14, 15, and 21).

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

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

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

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

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

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

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

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

recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Merchandise Inventory

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

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

Property and Equipment

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

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

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

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

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

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

Investments in Joint Ventures and Associates

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

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

rights.

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

Investment in a Joint Operation

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

Intangible Assets and Goodwill

Intangible Assets

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

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

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

Computer software and licenses and leasehold rights 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.
- *Rent Income* from property and equipment is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income, over the term of the lease.
- *Other Income* from display, demonstration or sampling, listing fee, endcap or palette income, merchandise support and miscellaneous income are recognized when earned.
- *Interest Income* is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.
- *Dividends* are recognized when the Group's right as a shareholder to receive the payment is established.

Cost of Sales

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

Operating Expenses

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

Borrowing Costs

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

Income Taxes

Current Tax

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

Deferred Tax

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Value Added Tax (VAT)

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

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

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

Leases

Group as Lessee

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Cumulative excess of rent expense over billing from lessors are presented as noncurrent accrued rent in the consolidated statements of financial position.

Group as Lessor

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

Related Parties

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

Segment Reporting

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

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

Provisions and Contingencies

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

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

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

Basic and Diluted Earnings Per Share (EPS)

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

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account as at September 30 consists of:

	Note	September 2017	December 2016
Cash on hand		P632,916,669	P872,185,446
Cash in banks	27, 28	520,482,463	1,457,275,840
Money market placements	27, 28	576,935,249	4,086,422,099
	28	P1,730,334,381	P6,415,883,385

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 0.30% to 2.00% in September 2017 and 0.50% to 2.00% in December 2017. Interest income earned from cash in banks and money market placements amounted to P12.12 million and P10.17 million in September 2017 and 2016.

5. Receivables

This account as at September 30 consists of:

	<i>Note</i>	September 2017	December 2016
Trade receivables	a, 21	P1,650,213,288	P2,248,947,108
Non-trade receivables	b, 21	1,815,012,615	1,639,371,010
		3,465,225,903	3,888,318,118
Less allowance for impairment losses on trade receivables from third parties	a	7,462,327	7,462,327
	27, 28	P3,457,763,576	P3,880,855,791

- a. Majority of trade receivables pertain to credit card transactions which are due within 30 days or its normal credit period. The Group partners only with reputable credit card companies affiliated with major banks. Management believes that except for the accounts provided with allowance for impairment losses amounting to P7.46 million as at September 30, 2017 and December 31, 2016, all other receivables are collectible and therefore, no additional allowance is necessary.
- b. Non-trade receivables represent the amounts due from tenants in relation to rentals of store spaces. This account also includes due from suppliers with respect to "demo" or "sampling" conducted by suppliers' representatives and strategic locations granted to suppliers with regard to the display of their products in the selling area of the stores. It also includes advances to employees which are collected by the Group through salary deduction.

6. Merchandise Inventory

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

Inventory cost as at September 30, 2017 and December 31, 2016 is lower than NRV.

The Group's merchandise inventory as at September 30, 2017 and December 31, 2016 amounted to P18,265.04 million and P16,487.82 million, respectively.

Inventory charged to the cost of sales amounted to P73,115.70 million, and P65,833.57 million in September 2017 and 2016, respectively (see Note 16).

7. Investments in Trading Securities

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

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

	Note	September 2017	December 2016
Cost			
Balance at beginning of the year		P15,355,998	P15,355,998
Additions		-	-
		15,355,998	15,355,998
Valuation Adjustments			
Balance at beginning of the year		19,753,028	19,076,593
Unrealized valuation gain (loss) on financial assets at FVPL for the year	20	6,753,576	676,435
		26,506,604	19,753,028
	28	P41,862,602	P35,109,026

8. Prepaid Expenses and Other Current Assets

This account as at September 30 consists of:

	September 2017	December 2016
Prepaid expenses	P672,548,933	P557,768,260
Input value added tax (VAT)	217,728,304	372,241,293
Deferred input VAT	65,473,745	51,907,561
Creditable withholding tax	33,524,347	-
	P989,275,329	P981,917,114

The details of prepaid expenses are as follows:

	Note	September 2017	December 2016
Rent	17	P366,440,582	375,748,248
Taxes and licenses		212,701,656	P65,342,856
Insurance		52,698,904	64,880,857
Supplies		29,072,700	21,568,898
Repairs and maintenance		6,452,498	7,409,696
Advances to contractors		-	13,987,975
Others		5,182,593	8,829,730
		P672,548,933	P557,768,260

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

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

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

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

9. Investments; Acquisitions of Subsidiaries

Investments

The details of investments are as follows:

	Note	September 2017	December 2016
Investments in joint ventures	<i>a</i>	P507,346,533	P367,346,533
Investment in associate	<i>b</i>	424,424,914	424,424,914
AFS financial assets	<i>c, 20</i>	7,879,160	7,879,160
		P939,650,607	P799,650,607

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

	September 2017	December 2016
Balance at beginning of the year	P256,995,907	P318,276,913
Additional investment	140,000,000	-
Share in net loss	-	(61,281,006)
	P396,995,907	P256,995,907

The summarized financial information of PLCI follows:

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

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:

	September 2017	December 2016
Balance at beginning of the year	P110,350,626	P114,121,444
Share in net loss	-	(3,770,818)
	P110,350,626	P110,350,626

The summarized financial information of Ayagold follows:

	December 2016	December 2015
Current assets	P128,836,435	P107,026,560
Noncurrent assets	167,581,943	186,094,527
Current liabilities	76,158,776	65,319,851
Total equity	220,259,602	227,801,236
Income	99,008,504	36,910,296
Operating expenses	106,550,140	82,535,165
Net loss	7,541,636	31,929,071

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 (loss) of SRS follow:

	September 2017	December 2016
Carrying amount		
Balance at beginning of the year	P424,424,914	P427,813,089
Share in net income (loss)	-	(3,388,175)
	P424,424,914	P424,424,914

c. AFS Financial Assets

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

Dividend income related to these investments amounted to P1.82 million and P0.08 in September 2017 and 2016, respectively (see Note 20).

Acquisitions of Subsidiaries

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

Entenso Equities Incorporated (Entenso)

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

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

Company E Corporation

On January 14, 2013, the Parent Company's BOD approved the acquisition of Company E Corporation (the company behind the Eunilaine Foodmart and Grocer E Supermart chains). The Parent Company acquired 290,000 common shares of Company E representing its total outstanding shares at P1,137.93 per share through cash. Company E has seven supermarkets within Metro Manila, six in Rizal province and two in the province of Cavite which will operate the same store as the Parent Company. As at December 31, 2014, there are fourteen stores in operation, one store in Rizal was closed in the same year.

On March 25, 2014, the BOD approved the merger of the Parent Company with Company E Corporation. It was then ratified by at least two-thirds (2/3) votes of the stockholders on May 13, 2014. In April 1, 2015, upon approval by the SEC of the merger, the existence of Company E ceased and all its assets and liabilities were merged with the Parent Company.

Kareila Management Corporation

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

The Parent Company issued 766,406,250 new common shares, with P1 par value, from its own authorized but unissued capital in exchange for 1,703,125 common shares, with P100 par value per share, of Kareila representing 100% of its outstanding capital stock. The fair market value of the Company's shares based on the observable market price as at the date of acquisition is P21.50 per share or P16,477.73 million. The Company incurred acquisition-related cost of P3.83 million. This cost has been included as part of operating expenses.

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

On November 28, 2013, the BOD of Kareila resolved to increase its authorized capital stock from P500 million divided into 5 million shares, with par value of P100 per share to P3,000 million pesos divided into 30 million shares with a par value of P100 per share. Out of the increase in the authorized capital stock of P2,500 million, 25% of which or P625 million had been actually subscribed by the Parent company out of the stock dividend declared by Kareila. On the same date, the Kareila amended its articles of incorporation. Subsequently, on December 13, 2013, SEC approved the Kareila's application of its increase in authorized capital stock.

PPCI Subic Inc.

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

10. Property and Equipment

The movements and balances of this account as at and for the period ended September 30 and year ended December 31 consist of:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, December 31, 2015	P4,915,432,156	P2,089,531,893	P5,844,309,756	P6,337,368,457	P403,740,152	P257,778,020	P19,848,160,434
Additions	226,526,122	162,430,837	758,869,771	426,509,668	938,721	1,485,869,471	3,061,144,590
Reclassifications	100,393,352	37,036,852	230,952,626	798,104,984	(24,869,686)	(1,141,618,128)	-
Disposals	-	(1,372,834)	(5,418,958)	(575,768)	-	-	(7,367,560)
Balance, December 31, 2016	5,242,351,630	2,287,626,748	6,828,713,195	7,561,407,341	379,809,187	602,029,363	22,901,937,464
Additions	270,451,026	149,410,389	504,378,471	727,945,751	29,667,128	1,030,189,568	2,712,042,333
Reclassifications	204,695,126	-	-	48,215,802	-	(252,910,928)	-
Disposals	-	(726,250)	(12,222,588)	(729,745)	-	-	(13,678,583)
Adjustments	-	-	(2,235,202)	-	-	-	(2,235,202)
Balance, September 30, 2017	P5,717,497,782	P2,436,310,887	P7,318,633,876	P8,336,839,149	P409,476,315	P1,379,308,003	P25,598,066,012
Accumulated Depreciation and Amortization							
Balance, December 31, 2015	P716,554,578	P786,591,501	P3,282,195,497	P1,029,078,001	P-	P-	P5,814,419,577
Depreciation and amortization	171,362,045	159,092,915	720,574,983	328,061,268	-	-	1,379,091,211
Reclassifications	-	186,558	(186,558)	-	-	-	-
Disposals	-	(67,259)	(3,108,076)	-	-	-	(3,175,335)
Adjustments	-	-	(20,345)	-	-	-	(20,345)
Balance, December 31, 2016	887,916,623	945,803,715	3,999,455,501	1,357,139,269	-	-	7,190,315,108
Depreciation and amortization	139,227,880	129,675,149	597,429,514	299,310,967	-	-	1,165,643,510
Reclassifications	6,235,334	-	(546)	(6,234,788)	-	-	-
Disposals	-	(525,896)	(6,802,393)	(133,079)	-	-	(7,461,368)
Balance, September 30, 2017	P1,033,379,837	P1,074,952,968	P4,590,082,076	P1,650,082,369	P-	P-	P8,348,497,250
Carrying Amount							
December 31, 2016	P4,354,435,007	P1,341,823,033	P2,829,257,694	P6,204,268,072	P379,809,187	P602,029,363	P15,711,622,356
September 30, 2017	P4,684,117,945	P1,361,357,919	P2,728,551,800	P6,686,756,780	P409,476,315	P1,379,308,003	P17,249,568,762

As at September 30, 2017 and December 31, 2016, the Parent Company has outstanding payable for property additions amounting to P2.69 million and P21.74 million, respectively (see Note 13). In addition, interest expense related to loans amounting to P58.12 million and P75.44 million had been capitalized in September 2017 and December 2016, respectively (see Note 14).

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

No impairment loss was recognized in September 2017 and December 2016.

11. Intangibles and Goodwill

This account consists of:

	Note	September 2017	December 2016
Goodwill	A	P14,715,219,433	P14,715,769,906
Trademark	b	3,709,660,547	3,709,660,547
Customer relationships	b	889,452,981	889,452,981
Computer software and licenses – net	c	184,349,578	183,285,588
Leasehold rights	c	59,591,233	62,417,046
		P19,558,273,772	P19,560,586,068

a. *Goodwill*

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

	Note	September 2017	December 2016
Kareila		P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	a.1	837,974,199	838,524,672
DCI and FLSTCI	a.2	685,904,317	685,904,317
Gant		742,340,804	742,340,804
Company E		358,152,015	358,152,015
PJSI		11,370,121	11,370,121
Merger of PJSI and Gant to Parent Company		4,142	4,142
		P14,715,219,433	P14,715,769,906

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

On August 6, 2015, the Group through Goldtempo Corporation, a wholly owned subsidiary of Entenso, acquired substantially all of the assets of BCI, MMI and SC. Goldtempo took over the operations of 8 supermarkets located mainly in Metro Manila and Luzon.

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

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

Movement of goodwill is as follows:

Goodwill at acquisition date	P801,839,739
Fair value adjustments	36,134,460
Goodwill	P837,974,199

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

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

Movement of goodwill is as follows:

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

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

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

b. Trademark and Customer Relationships

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

Impairment of Goodwill, Trademark and Customer Relationships

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

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at September 30, 2017 and December 31, 2016.

c. Leasehold Rights and Computer Software and Licenses

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

The movements and balances of leasehold rights and computer software and licenses as at and for the years ended September 30 consists of:

	Computer Software and Licenses	Leasehold Rights	Total
Cost			
Balance, December 31, 2015	P269,652,433	P75,355,005	P345,007,438
Additions	37,397,786	-	37,397,786
Balance, December 31, 2016	307,050,219	75,355,005	382,405,224
Additions	25,770,694	-	25,770,694
Balance, September 30, 2017	332,820,913	75,355,005	408,175,918
Accumulated Amortization			
Balance, December 31, 2015	97,914,777	9,170,209	107,084,986
Amortization	25,849,854	3,767,750	29,617,604
Balance, December 31, 2016	123,764,631	12,937,959	136,702,590
Amortization	24,706,704	2,825,813	27,532,517
Balance, September 30, 2017	148,471,335	15,763,772	164,235,107
Carrying Amount			
December 31, 2016	P183,285,588	P62,417,046	P245,702,634
September 30, 2017	P184,349,578	P59,591,233	P243,940,811

12. Other Noncurrent Assets

This account consists of:

	Note	September 2017	December 2016
Security deposits	17, 27, 28	P1,460,407,315	P1,387,243,564
Prepaid rent	17	147,764,782	86,502,207
Accrued rent income	17, 23	35,498,423	35,519,330
		P1,643,670,520	P1,509,265,101

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

13. Accounts Payable and Accrued Expenses

This account consists of:

	Note	September 2017	December 2016
Trade	21, 27, 28	P3,367,895,223	P6,021,729,009
Non-trade	21, 27, 28	1,366,930,178	1,778,722,639
Dividends payable	24, 27, 28	-	829,614,422
Withholding taxes payable		147,815,977	172,167,015
Accrued expenses:	27, 28		
Manpower agency services		704,249,884	561,627,984
Utilities		140,078,117	98,924,604
Professional fees		47,649,561	48,232,908
Rent		30,258,661	27,017,908
Interest		4,061,756	3,940,506
Fixed asset acquisition	10	2,693,575	21,736,891
Others		172,103,214	79,945,503
		P5,983,736,146	P9,643,659,389

The average credit period on purchases of certain goods from suppliers is 30 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame (see Note 27).

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

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

14. Loans Payable

As at September 30, the Group has the following outstanding loans payable:

a. Short-term Loans Payable

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

	Note	September 2017	December 2016
Short-term note based on 2.375%	i	P1,827,500,000	P2,647,500,000
Short-term note based on 2.5%	i	490,000,000	1,220,000,000
Short-term note based on 2.125%	i	450,000,000	450,000,000
Short-term note based on 2.00%	i	200,000,000	200,000,000
Short-term note based on 2.88%	i	185,000,000	-
Short-term note based on 2.375%	ii	300,000,000	500,000,000
	27, 28	P3,452,500,000	P5,017,500,000

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

September 2017			
Execution Date	Maturity Date	Interest Rate	Principal
July 26, 2017	January 22, 2018	2.38%	P500,000,000
July 27, 2017	October 25, 2017	2.50%	490,000,000
July 24, 2017	January 19, 2018	2.38%	467,500,000
June 30, 2017	December 27, 2017	2.13%	250,000,000
August 22, 2017	November 20, 2017	2.38%	230,000,000
July 26, 2017	January 22, 2018	2.00%	200,000,000
July 21, 2017	January 17, 2018	2.13%	200,000,000
August 15, 2017	November 13, 2017	2.88%	185,000,000
August 7, 2017	February 2, 2018	2.38%	180,000,000
August 9, 2017	February 5, 2018	2.38%	180,000,000
July 10, 2017	January 5, 2018	2.38%	150,000,000
July 31, 2017	January 26, 2018	2.38%	120,000,000
			P3,152,500,000

December 2016			
Execution Date	Maturity Date	Interest Rate	Principal
November 25, 2016	February 23, 2017	2.38%	P550,000,000
February 3, 2016	January 27, 2017	2.38%	500,000,000
October 28, 2016	January 26, 2017	2.50%	490,000,000
February 1, 2016	January 25, 2017	2.38%	467,500,000
February 26, 2016	February 20, 2017	2.50%	310,000,000
October 14, 2016	January 12, 2017	2.50%	300,000,000
November 29, 2016	February 27, 2017	2.38%	300,000,000
November 15, 2016	June 30, 2017	2.13%	250,000,000
August 26, 2016	January 27, 2017	2.00%	200,000,000
October 25, 2016	January 23, 2017	2.13%	200,000,000
February 15, 2016	February 8, 2017	2.38%	180,000,000
August 15, 2016	February 10, 2017	2.38%	180,000,000
January 18, 2016	January 11, 2017	2.38%	150,000,000
December 13, 2016	March 13, 2017	2.38%	150,000,000
February 9, 2016	February 1, 2017	2.38%	120,000,000
October 28, 2016	January 26, 2017	2.50%	120,000,000
October 10, 2016	April 7, 2017	2.38%	50,000,000
			P4,517,500,000

Principal amounts will be due on lump sum on their maturity dates. Extension and/or renewal of the notes are granted by the financial institution to the Parent Company. The proceeds of these loans will be used for inventory financing and funding of short term working capital requirement.

- ii. In 2016, Kareila entered into unsecured short-term loans with Cosco Capital Inc. at 2.5% interest per annum and renewed on the following dates:

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

b. Long-term Loans Payable

b.1.As at September 30, the outstanding loans are as follows:

	Note	September 2017	December 2016
Unsecured Peso Denominated			
Fixed rate note based on 3.5%	i	P1,998,668,130	P1,997,096,658
Fixed rate note based on 3.25%	ii	80,000,000	120,000,000
Fixed rate note based on 3.5%	iii	400,000,000	400,000,000
	27, 28	2,478,668,130	2,517,096,658
Less current portion		80,000,000	120,000,000
		P2,398,668,130	P2,397,096,658

- 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 of September 2017, a total of P843.70 million of the loan amount was already paid. The balance was renewed at 2.375% interest rate per annum and payable on December 29, 2017.

The movements in debt issue costs are as follows:

	September 2017	December 2016
Balance at beginning of the year	P2,903,342	P4,937,702
Amortizations	(1,571,472)	(2,034,360)
Balance at end of year	P1,331,870	P2,903,342

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

Repayment Schedule

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

Year	September 2017	December 2016
2017	P80,000,000	P120,000,000
2018	2,000,000,000	2,000,000,000
	P2,120,000,000	P2,120,000,000

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

Interest expense from these loans amounting to P58.12 million and P75.44

million were capitalized in September 2017 and December 2016, respectively and recognized in building and leasehold improvements under property and equipment accounts (see Note 10). Remaining interest expense that was charged to profit and loss amounted to P98.67 million and P101.47 million in September 2017 and December 2016, respectively.

15. Other Current Liabilities

This account consists of:

	Note	September 2017	December 2016
Deposits	17, 27, 28	P123,737,373	P141,161,517
Unredeemed gift certificates		83,711,536	102,275,712
Loyalty and rewards		42,105,871	88,449,780
VAT payable		35,261,899	48,367,991
Promotion fund		14,894,080	13,402,740
Others	27, 28	175,695	10,206,603
		P299,886,454	P403,864,343

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

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

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

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

Others include supplier merchandiser fund allocated for various diser related charges.

16. Cost of Sales

This account for the years ended September 30 consists of:

	Note	2017	2016
Beginning inventory	6	P16,487,824,308	P12,982,832,312
Add: Purchases		74,892,935,668	69,322,817,829
Total goods available for sale		91,380,759,976	82,305,650,141
Less ending inventory	6	18,265,064,153	16,472,082,170
		P73,115,695,823	P65,833,567,971

17. Lease Agreements

As Lessee

The Group leases warehouses, parking spaces and certain lands and buildings where some of its stores are situated or constructed. The terms of the lease are for the periods ranging from ten to forty (10-40) years, renewable for the same period

under the same terms and conditions. The rent shall escalate by an average of 1% to 7%. Rental payments are fixed amounts which are calculated either fixed monthly rent or is calculated in reference to a fixed sum per square meter of area leased based on the contracts.

The Group is required to pay advance rental payments and security deposits on the above leases which are either fixed monthly rent or are calculated in reference to a fixed sum per square meter of area leased. These are shown under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (see Notes 8 and 12).

Rent expense included under "Operating expenses" in the consolidated statements of comprehensive income amounted to P1,987.75 million and P1,844.14 million in September 2017 and 2016, respectively (see Note 19).

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

	September 2017	December 2016
Due within one year	P2,146,313,101	P2,057,326,120
Due more than one year but not more than five years	9,089,955,860	8,688,301,793
Due more than five years	33,839,312,279	32,996,247,728
	P45,075,581,240	P43,741,875,641

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten (1-10) years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 15).

Rent income recognized in profit or loss in September 2017 and 2016 amounted P289.50 million and P282.35 million, respectively (see Note 18).

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

	September 2017	December 2016
Due within one year	P202,789,045	P213,715,008
Due more than one year but not more than five years	247,273,357	257,952,124
Due more than five years	129,653,701	148,073,465
	P579,716,103	P619,740,597

18. Other Operating Income

This account for the years ended September 30 consists of:

	<i>Note</i>	2017	2016
Concession income		P1,142,102,435	P1,053,927,086
Display allowance		475,889,804	451,830,730
Membership income		312,858,077	271,369,123
Rent income	17	289,503,490	282,353,541
Listing fee		58,462,976	62,434,498
Merchandising support		32,079,553	58,524,243
Demo/sampling income		10,576,295	8,221,040
Miscellaneous		121,612,874	82,932,873
		P2,443,085,504	P2,271,593,134

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

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

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

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

Merchandising support pertains to income generated from promotional activities.

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

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

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

19. Operating Expenses

This account for the years ended September 30 consists of:

	Note	2017	2016
Rent	17	P1,987,752,909	P1,844,137,489
Manpower agency services		1,805,956,595	1,539,360,057
Communication, light and water		1,403,975,285	1,258,573,067
Salaries and wages		1,324,055,009	1,180,713,562
Depreciation and amortization	10, 11	1,193,176,027	1,041,680,399
Security services		656,911,501	625,181,298
Taxes and licenses		486,269,767	395,204,443
Store and office supplies		404,165,230	353,527,450
Janitorial and messengerial services		389,764,511	299,493,354
Concession expense	21	345,809,941	319,828,251
Repairs and maintenance		299,200,284	279,036,778
Advertising and marketing		215,373,970	176,379,500
Insurance		129,420,404	110,204,207
Other selling expenses		124,976,662	111,338,877
SSS/Medicare and HDMF contributions		96,202,333	85,537,972
Input VAT allocable to exempt sales		76,934,724	75,651,395
Reward point expense		43,598,735	45,876,798
Transportation		41,064,245	32,890,211
Fuel and oil		40,644,984	35,204,239
Representation and entertainment		32,896,647	29,940,530
Royalty	21	21,281,322	19,596,771
Professional fee		118,204,669	53,241,267
Miscellaneous		P11,237,635,754	P9,912,597,915

20. Others

This account for the years ended September 30 consists of:

	Note	2017	2016
Unrealized valuation gain on trading securities	7	P6,753,576	P2,851,180
Dividend income	9	1,817,695	849,991
Gain on insurance claim		101,339	-
Foreign exchange loss		(131,422)	(188,189)
Bank charges		(18,149,148)	(18,397,896)
		(P9,607,960)	(P14,884,914)

21. Related Party Transactions

In the normal course of business, the Group has transactions with its related parties. These transactions and account balances as at September 30, 2017 and December 31, 2016 follow:

Related Party	Year	Note	Amount of Transactions for the Nine-month Period		Outstanding Balances					Conditions
			P-	P-	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)	Due to Related Parties	
Parent Dividends	2017		P-	P-						
	2016		-	-				423,103,355	-	Unsecured
Repairs and maintenance	2017		-	-		141,256		-	-	Unsecured; no impairment
	2016		-	-				-	-	Unsecured
Interest expense	2016	e	-	-				663,021	-	Unsecured
Other Related Parties*										
Rent expense	2017	a	508,684,683	-				47,815,953	-	Unsecured; no impairment
	2016		472,891,314	-		1,772,425		17,643,971	-	Unsecured
Concession expense	2017	b	345,809,941	-				-	-	Unsecured
	2016		319,828,251	-				-	-	Unsecured
Purchase of merchandise	2017	c	1,280,139,860	-			273,149,115	-	-	Unsecured
	2016		718,766,551	-			418,764,671	-	-	Unsecured
Sale of merchandise	2017	c	42,325,204	5,538,856				-	-	Unsecured; no impairment
	2016		37,577,149	29,483,856				-	-	Unsecured; no impairment
Security deposits received	2017	a/c	3,101,497	-				146,601	-	Unsecured; no impairment
	2016		12,410,066	-		3,277,636		-	-	Unsecured; no impairment
Repairs and maintenance	2017	c	1,224,194	-				101,261	-	Unsecured; no impairment
	2016		1,924,105	-		7,137,745		388,502	-	Unsecured; no impairment
Utilities expense	2017	c	124,199,113	-				13,234,128	-	Unsecured; no impairment
	2016		138,769,527	-		1,643,156		29,942,648	-	Unsecured; no impairment
Forward										

Outstanding Balances

Related Party	Year	Note	Amount of Transactions for the Nine-month Period	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)	Due to Related Parties	Terms	Conditions
Communications	2017		313,601	P-	P-	P-	1,410	P-	Due and demandable	Unsecured
	2016		374,388	-	-	-	P70,830	-	Due and demandable	Unsecured
Management fee	2017	c	6,155,970	-	-	-	3,602,365	-	Due and demandable	Unsecured
	2016		9,408,703	-	-	-	2,187,694	-	Due and demandable	Unsecured
Supplies	2017	c	8,821,286	-	-	-	2,119,677	-	Due and demandable	Unsecured
	2016		7,556,312	-	-	-	1,427,654	-	Due and demandable	Unsecured
Insurance	2017		990,911	-	-	-	33,835	-	Due and demandable	Unsecured
	2016		-	-	-	-	45,038	-	Due and demandable	Unsecured
Taxes and licenses	2017		121,657	-	-	-	31,553	-	Due and demandable	Unsecured
Employee benefits	2017		1,975,530	-	-	-	6,515	-	Due and demandable	Unsecured
	2016		-	-	-	-	12,657	-	Due and demandable	Unsecured
Key Management Personnel										
Royalty expense	2017		32,896,647	-	-	-	-	32,896,985	Due and demandable	Unsecured
	2016		29,940,530	-	-	-	-	33,776,623	Due and demandable	Unsecured
Rent expense	2017	d	16,857,124	-	-	-	-	-	-	-
	2016		16,366,140	-	-	-	-	-	-	-
Short-term benefits	2017		31,140,000	-	-	-	-	-	-	-
	2016		70,115,876	-	-	-	-	-	-	-
Total	2017			P5,538,856	P-	P273,149,115	P67,093,299	P32,896,985		
Total	2016			P29,483,856	P13,972,218	P418,764,671	P475,485,370	P33,776,623		

*Other related parties pertain to entities under common control.

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

a. Lease of Building

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

b. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with Kareila, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) stores.
- The Consignor shall give the Consignee a trade or volume discount of its gross sales.
- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.
- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.
- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to five percent (5%) of the consignee's gross sales which was increased to fifteen percent (15%) on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of ten percent (10%) of the consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.
- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.
- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.
- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

c. Other Significant Transactions

These pertain to purchases and sale of merchandise, rent income, security deposits paid, repairs and maintenance, utilities, communications, management fee and employee benefits which are unsecured, noninterest-bearing and due and demandable. The Group has not made any allowance for impairment losses relating to receivables from related parties as at September 30, 2017 and December 31, 2016. This assessment is undertaken annually by management through examination of the financial position of related parties and the market in which they operate.

d. Royalty Agreement

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

e. Loans

As discussed in Note 14, Kareila entered into unsecured short - term loans with Cosco amounting to P700.00 million. These loans are to be settled in cash upon its maturity.

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

22. Retirement Benefits Liability

The Parent Company and its subsidiaries have an unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2016. Valuations are obtained on a periodic basis.

Salient Provisions of the Retirement Plan

Normal Retirement (Minimum Retirement Law, RA 7641)

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

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

	September 2017	December 2016
Present value of defined benefit obligation	P494,733,328	P494,733,328
Fair value of plan assets	(25,475,333)	(25,475,333)
Retirement benefits liability	P469,257,995	P469,257,995

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

	September 2017	December 2016
Balance at January 1	P494,733,328	P465,327,210
Included in Profit or Loss		
Current service cost	-	98,096,474
Interest cost	-	22,754,500
	-	120,850,974
Included in other Comprehensive Income		
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	-	(55,852,131)
Experience adjustment	-	(35,592,725)
	-	(91,444,856)
Balance at December 31	P494,733,328	P494,733,328

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

	September 2017	December 2016
Beginning of the year	P25,475,333	P25,455,537
Interest income	-	1,244,776
Remeasurement loss	-	(1,224,980)
End of the year	P25,475,333	P25,475,333

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

	September 2017	December 2016
Remeasurements of retirement liability at beginning of year	(P89,290,096)	P929,780
Actuarial loss (gain) due to increase in defined benefit obligation	-	(90,219,876)
Remeasurements of retirement liability at end of year	(P89,290,096)	(P89,290,096)

The cumulative remeasurements of retirement benefits liability, net of deferred income taxes, amounted to P62.52 million as at September 30, 2017 and December 31, 2016, as presented in the consolidated statements of changes in equity.

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

	2016	2015
Cash in banks	P3,566,859	P18,853,459
Debt instruments - government bonds	21,705,683	6,528,968
Trust fees payable	(12,896)	(12,727)
Other	215,687	85,837
	P25,475,333	P25,455,537

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

	September 2017	December 2016
Discount rate	5.38%	5.38%
Future salary increases	8.00%	8.00%

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

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

Sensitivity Analysis

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

2017

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

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

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

Funding Arrangements

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

Maturity analysis of the benefit payments:

	Carrying Amount	Contractual Cash Flows	2016		
			Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P494,733,328	P94,196,090	P18,894,732	P29,583,933	P61,717,462

	Carrying Amount	Contractual Cash Flows	2015		
			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

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

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

23. Income Taxes

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

	2017	2016
Current tax expense	P1,725,774,754	P1,630,213,342
Deferred tax benefit	(67,041,483)	(86,506,415)
	P1,658,733,271	P1,543,706,927

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss for the periods ended September 30 is as follows:

	2017	2016
Income before income tax	P5,557,620,314	P5,188,679,338
Income tax expense at the statutory income tax rate:		
30%	P1,647,925,945	P1,541,263,654
5%	3,226,691	2,556,691
Income tax effects of:		
Non-deductible other expenses	11,616,711	2,841,052
Non-deductible interest expense	704,814	363,023
Changes in unrecognized DTA/DTL	950,156	557,652
Dividend income subjected to final tax	(545,309)	(254,997)
Interest income subjected to final tax	(3,119,664)	(2,764,794)
Non-taxable income	(2,026,073)	(855,354)
	P1,658,733,271	P1,543,706,927

The components of the Group's deferred tax liabilities (DTL) net of deferred tax assets (DTA) in respect to the following temporary differences are shown below:

	September 2017		December 2016	
	Amount	DTA (DTL)	Amount	DTA (DTL)
Accrued rent expense*	P3,122,632,604	P930,633,751	P2,909,865,855	P867,608,435
Retirement benefits liability	583,463,246	174,690,857	583,463,246	174,690,857
NOLCO	17,967,353	5,390,206	4,603,050	1,380,915
Allowance for impairment losses on receivables	7,462,327	2,238,698	7,462,327	2,238,698
Actuarial losses			-	-
Recognition of DTA	389,731	116,919	389,731	116,919
DTA	3,731,915,261	1,113,070,431	3,505,784,209	1,046,035,824
Fair value of intangible assets from business combination	(4,599,113,528)	(1,379,734,058)	(4,599,113,528)	(1,379,734,058)
Actuarial gains	(89,290,095)	(26,765,817)	(89,290,095)	(26,765,817)
Accrued rent income	(35,496,408)	(10,648,922)	(35,519,329)	(10,655,799)
DTL	(4,723,900,031)	(1,417,148,797)	(4,723,922,952)	(1,417,155,674)
Net	(P991,984,770)	(P304,078,366)	(P1,218,138,743)	(P371,119,850)

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

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

24. Equity

Capital Stock and Additional Paid-in Capital

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

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

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

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

On March 12, 2015, the SEC approved the application of merger of the Parent Company and Company E. As a consideration for the said merger, the Parent Company paid the owner of Company E shares of stocks equivalent to 2,045,465 shares at P43.4 per share. 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.

On May 4, 2017, the plan of merger of the Parent Company with DCI, FLSTCI and Goldtempo was filed to the SEC pending approval as of date.

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

	September 2017	December 2016
Authorized - 3,000,000,000 shares (P1 par value)		
Issued and outstanding		
Balance at beginning of year	2,785,362,877	2,785,362,877
Stock issuances during the period	-	-
Balance at end of year	2,785,362,877	2,785,362,877

The Parent Company's treasury stocks are as follow:

	September 2017	December 2016
Balance at beginning of year	19,981,471	19,981,471
Buy back during the period	-	-
Balance at end of year	19,981,471	19,981,471

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30.0 million shares within one year from the approval or until November 4, 2015. As at September 30, 2017 and December 31, 2016, 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 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.

On December 22, 2016, the Company's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.10 per share on record date of January 12, 2017 and payment date of January 20, 2017. The total amount of dividends is P829.61 million.

The summary of dividends declared is as follows:

December 31, 2016

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

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

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

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

25. Segment Information

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

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

26. Basic/Diluted EPS

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

	2017	2016
Net income (a)	P3,898,887,043	P3,644,972,411
Weighted average number of ordinary shares (b)	2,765,381,406	2,765,381,406
Basic/diluted EPS (a/b)	P1.41	P1.32

As at September 30, 2017 and December 31, 2016, the Group has no dilutive debt or equity instruments.

27. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

Credit Risk

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

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

anticipated volume of business.

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

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

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

	Note	September 2017	December 2016
Cash in banks and cash equivalents	4	P1,097,417,712	P5,543,697,939
Receivables - net	5	3,457,763,576	3,880,855,791
Security deposits*	12	1,460,407,315	1,387,243,564
		P6,015,588,603	P10,811,797,294

*Included under noncurrent assets.

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

September 2017	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	P1,097,417,712	P-	P-	P-	P-	P1,097,417,712
Receivables	2,512,399,197	428,188,376	169,285,041	347,890,962	7,462,327	3,465,225,903
Security deposits	1,460,407,315	-	-	-	-	1,460,407,315
	P5,070,224,224	P428,188,376	P169,285,041	P347,890,962	P7,462,327	P6,023,050,930

December 2016	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	P5,543,697,939	P-	P-	P-	P-	P5,543,697,939
Receivables	2,819,816,554	480,581,538	189,998,772	390,458,927	7,462,327	3,888,318,118
Security deposits	1,387,243,564	-	-	-	-	1,387,243,564
	P9,750,758,057	P480,581,538	P189,998,772	P390,458,927	P7,462,327	P10,819,259,621

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

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

Liquidity Risk

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

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

As at September 30, 2017					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P5,835,870,429	P5,835,870,429	P5,835,870,429	P -	P -
Short-term loans payable	3,452,500,000	3,452,500,000	3,452,500,000	-	-
Due to related parties	32,896,985	32,896,985	32,896,985	-	-
Long-term debt including current portion	2,478,668,130	2,563,623,437	94,932,012	2,468,691,425	-
Other current liabilities**	159,174,967	159,174,967	159,174,967	-	-
Noncurrent accrued rent	3,155,344,566	3,155,344,566	43,967,873	284,071,659	2,827,305,034

*excluding statutory payables to the government

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

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

*excluding statutory payables to the government

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk since its short and long-term loans with fixed rates are carried at amortized cost. The Group's policy is to obtain the most favorable interest available without increasing its foreign currency exchange exposure.

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

	September 2017	December 2016
Financial assets (cash deposits):		
Cash in banks	P520,482,463	P1,457,275,840
Money market placement	576,935,249	4,086,422,099
	P1,097,417,712	P5,543,697,939

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P1.54 million and P7.76 million for the period ended September 30, 2017 and December 31, 2016, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% interest rate and on the basis that all other variables remain constant.

Other Market Price Risk

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

Capital Management

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

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

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

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

The Group is not subject to externally imposed requirements.

28. Financial Instruments

The carrying amounts of Company's financial instruments approximate their fair values as at September 30, 2017 and December 31, 2016.

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

Cash and Cash Equivalents, Receivables and Security Deposits

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

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

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

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

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

Long-term Loans including Current Maturities

The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Effective rates used in 2017 and 2016 range from 2.38% to 3.61%.

Fair Value Hierarchy

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

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

As at September 30, 2017 and December 31, 2016, the Group's investment in trading securities were measured based on Level 1 classification and available for sale financial assets were carried at cost since the fair value cannot be determined reliably in the absence of any market data.

As at September 30, 2017 and December 31, 2016, the Group has not introduced any movement among Levels 1, 2 and 3 classifications.

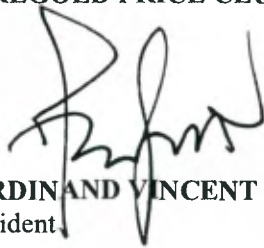
SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the Issuer has duly caused this Third Quarter Financial Statements of Puregold Price Club, Inc. and its subsidiaries for the year 2017 to be signed on its behalf by the undersigned thereunto duly authorized.

November 10, 2017 in the City of Manila.

PUREGOLD PRICE CLUB, INC.

By:



FERDINAND VINCENT P. CO
President



TEODORO A. POLINGA
Comptroller

CERTIFICATE OF INDEPENDENT DIRECTOR

I, Edgardo G. Lacson, Filipino, of legal age and a resident of No. 102 Molave Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Puregold Price Club, Inc. and have been its independent director since May 2012
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
MIS Maritime Corporation	President	1992 - present
MIL Export Philippines, Inc.	Chairman	1987 - present
Metrostore Corporation	Chairman	2002 - present
Marine Industry Supply Corp.	President	1985 - present
Safe Seas Shipping Agency Co., Inc.	President	1996 - present
EML Realty	President	1992 - present
Link Edge	Managing Director	2006 - present
Global Ferronickel Holdings, Inc	Independent Director	2016 - present
Employers Confederation of the Philippines	Chairman	2016- present; past president (2010-2016)
ADR Institute Stratbase	Trustee	2014 - present
The Philippine Stock Exchange	Director	2011 - present
Management Association of the Philippines	Member	2009 - present
De La Salle University	Trustee	2011 – present
Philippine Nippon Kaiji Kyokai	Member (Philippine Technical committee)	1998 - present
Philippine Interisland Shipping Association (PISA)	Trustee	1994 - present
Philippine Petroleum Sea Transport Association (PHILPESTA)	Trustee	1994 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director Puregold Price Club, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rule and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

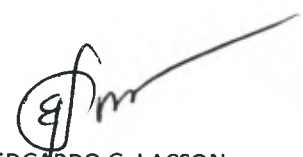
NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A		

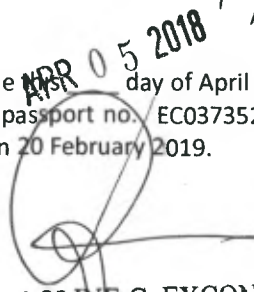
6. (For those in government service/affiliated with government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in _____, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Puregold Price Club, Inc. of any changes in the above-mentioned information within five days from its occurrences.

Done, this 05 day of April 2018, at City of Manila.


EDGARDO G. LACSON
Affiant

SUBSCRIBED AND SWORN to before me 05 day of April 2018 at City of Manila, affiant personally appeared before me and exhibited to me his passport no. EC0373529 issued by the Department of Foreign Affairs, Manila on 21 February 2014 expiring on 20 February 2019.

Doc. No. 117;
Page No. 100;
Book No. VIII;
Series of 2018.


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

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **JAIME S. DELA ROSA**, Filipino, of legal age and resident of 308 Agno St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Puregold Price Club, Inc.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
N/A	N/A	N/A

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director Puregold Price Club, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rule and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

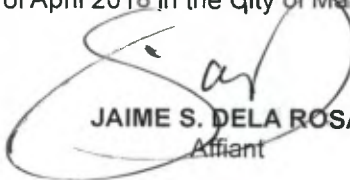
NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with government agency or GOCC) I have the required written permission or consent from _____ to be an independent director in _____ pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. **(NOT APPLICABLE)**
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Puregold Price Club, Inc. of any changes in the above-mentioned information within five days from its occurrences.

Done, this 05 day of April 2018 in the City of Manila.


JAIME S. DELA ROSA
Affiant

SUBSCRIBED AND SWORN to before me this 28 day April 2018 in the City of Manila, affiant personally appeared before me and exhibited to me competent proof of his identity.

Doc. No. 578 ;
Page No. 103 ;
Book No. 1011 ;
Series of 2018.


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

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **MARILYN V. PARDO**, Filipino, of legal age and resident of No. 704 Acacia Avenue, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Puregold Price Club, Inc.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
N/A	N/A	N/A

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director Puregold Price Club, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rule and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

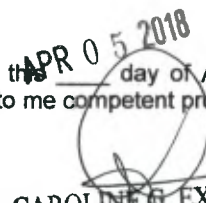
6. (For those in government service/affiliated with government agency or GOCC) I have the required written permission or consent from _____ to be an independent director in _____ pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. **(NOT APPLICABLE)**
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Puregold Price Club, Inc. of any changes in the above-mentioned information within five days from its occurrences.

Done, this 05 day of April 2018 in the City of Manila.


MARILYN V. PARDO
Affiant

SUBSCRIBED AND SWORN to before me this 05 day of April 2018 in the City of Manila, affiant personally appeared before me and exhibited to me competent proof of her identity.

Doc. No. 516 ;
Page No. 100 ;
Book No. VIII ;
Series of 2018.


CAROLINE G. EXCONDE
NOTARY PUBLIC FOR THE CITY OF MANILA
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