PUREGOLD

12 April 2012

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills,
Mandaluyong City, Metro Manila

Attention: **Director Justina F. Callangan**
Corporate Finance Division

Subject: **Compliance to letter dated 30 March 2012**

GENTLEMEN:

In compliance to your letter dated 30 March 2012 which the Company received on the same day, I am submitting herewith the Definitive Information Statement and Management Report in accordance with the comments/checklist attached to the said letter and SRC Rule 20.

We trust that you will find the attached Definitive Information Statement and Management Report in order.

Thank you.

Very truly yours,

ATTY. CANDY H. DACANAY-DATUON
Assistant Corporate Secretary

COVER SHEET

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SEC Registration Number

PUREGOLD PRICE CLUB, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,
MANILA

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

CANDY DACANAY-DATUON

(Contact Person)

(02) 524-4451/ 523-3055

(Company Telephone Number)

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Month	**Day**	(Form Type)	**Month**	**Day**

(Secondary License Type, If Applicable

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

PUREGOLD PRICE CLUB INC.

No. 900 Romualdez St., Paco, Manila
(632) 822-8801 to 04; (632) 523-3055
Website: www.puregold.com.ph

Information Statement
Annual Stockholders' Meeting
8 MAY 2012

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Stockholders:

Notice is hereby given that the **ANNUAL STOCKHOLDERS' MEETING OF PUREGOLD PRICE CLUB, INC.** will be held on the 8th day of May 2012, 2 pm, at the Manila Golf &Country Club, Harvard Road, Forbes Park, Makati City with the following agenda:

1. Call to order
2. Certification of service of notice and existence of quorum
3. Annual Report of the Chairman
4. Approval of Chairman's Annual Report and ratification of all other acts and resolutions of the Board of Directors and Management from the date of the previous Stockholders' Meeting
5. Presentation of the audited financial statements for the period ended 31 December 2011
6. Election of seven (7) directors inclusive of two (2) independent directors
7. Appointment of External Auditor
8. Approval of the acquisition by the Company of 1,703,125 shares of Kareila Management Corporation through a share for share swap of 766,406,250 shares of the Company with the Co Family, and the waiver by at least a majority of the outstanding shares held by the minority stockholders of PGOLD of the rights or public offering requirement provided in Section 5, Part A of Article V of the Revised Listing Rules of the Philippine Stock Exchange.
9. Approval of the Stock Option Plan
10. Other Matters
11. Adjournment

Stockholders of record as of the close of business on 4 April 2012 are entitled to notice of, and to vote at such meeting. The stock and transfer book of the company will be closed from 24 April 2012 to 7 May 2012.

IF YOU DO NOT EXPECT TO ATTEND THE ANNUAL MEETING, YOU MAY EXECUTE AND RETURN THE PROXY FORM IN THE ENVELOPE PROVIDED FOR THAT PURPOSE TO THE OFFICE OF THE COMPANY AT: **NO. 900 ROMUALDEZ ST., PACO, MANILA, 1007.** THE DEADLINE FOR THE SUBMISSION OF PROXIES IS ON **27 APRIL 2012.**

On the day of the meeting, you or your duly designated proxy are hereby required to bring this Notice and any form of identification such as driver's license, passport, company I.D., voter's I.D., or TIN Card to facilitate registration. Registration shall start at 1:00 p.m and will close at 1:45 p.m.

Manila, Philippines.

BABY GERLIE I SACRO
Corporate Secretary

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION SHEET

PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

3:04 PM

Check the appropriate box: [ ] Preliminary Information Statement [√] Definitive Information Statement [ ] Additional Materials
Name of Registrant as specified in its charter: **PUREGOLD PRICE CLUB, INC.**
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: **8 May 2012, 2 pm at Manila Golf & Country Club, Harvard Road, Forbes Park, Makati 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 – **16 April 2012**
Name of Person Filing the Statement / Solicitor: **The President, or in his absence the Chairman of the Board of Directors, or in his absence the Chairman of the 8 May 2012Annual Stockholders' Meeting** **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 24 April 2012– **2,000,000,000 (₱1.00 per share)** Common shares outstanding: **2,000,000,000 (₱1.00 par value)** No. of Votes Entitled: **One (1) vote per share** PPCI has no outstanding debt as of December 31, 2011
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** And the class of securities listed therein: **Common shares**

PUREGOLD PRICE CLUB INC.

No. 900 Romualdez St., Paco, Manila
(632) 822-8801 to 04; (632) 523-3055
Website: www.puregold.com.ph

INFORMATION STATEMENT
PART I

A. GENERAL INFORMATION

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

A) Date of Meeting: **8 May 2012**
Time of Meeting: **2:00 PM**
Place of Meeting: **Fairways Room, Manila Golf & Country Club,Harvard Road, Forbes Park, Makati 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 on or before **16 April 2012** in accordance with the Company by laws and the Securities and Regulation Code.

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions as specified in the attached Notice of Annual Stockholders' Meeting that may give rise to a possible exercise by shareholders of their appraisal rights or similar right as provided in Title X of the Company Code of the Philippines.

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

A) One of the matters to be acted upon during the Annual Stockholders Meeting is the acquisition of shares of stocks of Kareila Management Corporation by the Company.

Kareila Management Corporation is principally owned by the following: Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co and Pamela Justine P. Co (Co Family). All of them are current directors of the Company and nominees as directors for this year 2012.

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) *Class and Number of Shares.* The Company has only one (1) class of shares – Common Shares – which are issued and transferable to both Philippine and non-Philippine nationals; *provided,* that 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. As of Record Date, the Company's outstanding capital stock is 2,000,000,000 shares. Each share is entitled to one (1) vote.

(b) *Stockholders Entitled to Notice and Vote.* Only holders of the Company's stock of record at the close of business on 4 April 2012 are entitled to notice of, and to vote at, the Annual Stockholders' Meeting, in person or by proxy.

(c) *Election of Directors.* 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.

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

(d) Security Ownership of Certain record and beneficial owners of more than 5% as of 4 April 2012.

The Company has no 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 other than the persons listed below:

Beneficial ownership must still be clarified and disclosed

Title of Class	Name, Address of record owner	Relationship with Record Owner	Name of Beneficial Owner	Citizenship	Number of shares held	Percent
Common	PCD Nominee Company 37/F Tower 1 Enterprise Center 6766 Ayala Ave, Makati	Stockholder	Various[1]	Filipino	1,425,300,000	71.26%
Common	PCD Nominee Company 37/F Tower 1 Enterprise Center 6766 Ayala Ave, Makati	Stockholder	Various[2]	Non-Filipino	574,700,000	28.74%

[1]PCD Nominee is the registered owner of shares beneficially owned by the custodian bank and brokers who are participants of PCD.
[2]PCD Nominee is the registered owner of shares beneficially owned by the custodian bank and brokers who are participants of PCD.

(e) Security Ownership of directors and management as of 4 April 2012

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	724,376,802	36.21%
Common	Susan P. Co	Direct	Filipino	539,691,310	26.98%
Common	Leonardo B. Dayao	Direct	Filipino	739,925	0.0369%
Common	Ferdinand Vincent P. Co	Direct	Filipino	33,686,354	1.68%
Common	Pamela Justine P. Co	Direct	Filipino	33,686,354	1.68%
Common	Edgardo G. Lacson	Direct	Filipino	1	0.00000%
Common	Marilyn V. Pardo	Direct	Filipino	1	0.00000%

(f) Voting trust holders of 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.

(g) Change 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.

Item 5. Directors and Executive Officers

5.1. Incumbent Board of Directors and Executive Officers

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

During the annual stockholders' meeting held on 10 May 2011, the following were elected and appointed members of the Board of Directors:

Name	Age	Position
Lucio L. Co	58	Chairman
Susan P. Co	55	Vice Chairman
Leonardo B. Dayao	68	President
Ferdinand Vincent P. Co	31	Director
Pamela Justine P. Co	28	Director

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

Name	Age	Position
Marilyn V. Pardo	74	Independent Director
Edgardo G. Lacson	69	Independent Director

5.2 Business Experience of the incumbent Directors and Executive Officers.

The following is a profile of the incumbent directors and executive officers of the Company, indicating their respective business experience for the past five (5) years:

Lucio L. Co, 58, Filipino
Chairman

Mr. Co has been a Director and the Chairman of the Company since it was incorporated in September 1998. Mr. Co has been duly elected to hold office as Director for one year and until his successor is elected and qualified. He is also currently the Chairman of Kareila Management Company, Puregold Finance, Inc., Puregold Duty Free Subic, Inc., Puregold Realty Leasing and Management, Inc. and President of Bellagio Holdings, Inc., Ellimac Prime Holdings, Inc., Cosco Prime Holdings, Inc., Forbes Company, LCCK & Sons Realty Company, Patron Supermarket, Inc., Puregold Junior Supermarket, Inc., Puregold Duty Free, Inc., and Puregold Properties, Inc. He is also a Director of Alcorn Gold Resources, Inc.(another listed Company) and a member of the Board of Trustees of Adamson University. Mr. Co has been an entrepreneur for the past 40 years.

Susan P. Co, 55, Filipino
Vice Chairman

Mrs. Co has been a Director, Vice-Chairman and Treasurer of the Company since it was incorporated in September 1998. Mrs. Co has been duly elected to hold office as Director for one year and until her successor is elected and qualified. She is also currently the Chairman of Cosco Price, Inc. and Treasurer of Bellagio Holdings, Inc., Pajusco Realty Corporation, Puregold Finance, Inc., and Puregold Leasing and Management, Inc. She is also a Director of Kareila Management Corporation, Cosco Prime Holdings, Inc., Ellimac Prime Holdings, Inc., Forbes Company, KMC Realty Company, Patron Supermarket, Inc., Puregold Duty Free, Inc., Puregold Duty Free (Subic), Inc., Puregold Junior Supermarket, Inc. and Puregold Properties, Inc. Ms. Co received a Bachelor of Science in Commerce from the University of Santo Tomas.

Leonardo B. Dayao, 68, Filipino
President

Mr. Dayao has been a Director and the President of the Company since 1998. Mr. Dayao has been duly elected to hold office as Director for one year and until his successor is elected and qualified. He is also currently the Chairman of PSMT Philippines, Inc., President of Puregold Finance Inc. and Alcorn Gold Resources, Inc., (another Listed Company) and Vice-President of Ellimac Prime Holdings, Inc., Bellagio Holdings, Inc., Pajusco Realty Company, Puregold Properties, Inc., VFC Land Resources, Inc., and Cosco Prime Holdings, Inc. Mr. Dayao is also a Director of Fontana Development Corporation and Fontana Resort and Country Club. Mr. Dayao was previously connected with Ayala Investment and Development Company as Vice-President from 1980 to 1984 and Bank of the Philippine Islands as Vice President from 1984 to 1994. Mr. Dayao received a Bachelor of Science degree in Commerce from the Far Eastern University. He is a Certified Public Accountant. He has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

Ferdinand Vincent P. Co, 31, Filipino
Director

Mr. Co has been a Director of the Company since 2003. Mr. Co has been duly elected to hold office as Director for one year and until his successor is elected and qualified. He is also the Marketing Director of the Company. Mr. Co is currently the President of Cosco Price, Inc., KMC Realty Company, VFC Land Resources, and Pajusco Realty Corporation and Treasurer of Fertuna Holdings, Inc. He is also a Director of Kareila Management Corporation, 118 Holdings, Inc., 514 Shaw

Property Holdings Corp., Bellagio Holdings, Inc., Cosco Prime Holdings, Inc., Maxent Investments, Inc., Patron Supermarket, Inc., PSMT Philippines, Inc., Puregold Duty Free (Subic), Inc., Puregold Junior Supermarket, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., Ellimac Prime Holdings, Inc. and Patagonia Holdings, Inc. Mr. Co received a Bachelor of Science degree in Entrepreneurial Management from the University of Asia and the Pacific.

Pamela Justine P. Co, 28, Filipino
Director

Ms. Co has been a Director of the Company since 2003. Ms. Co has been duly elected to hold office as Director for one year and until her successor is elected and qualified. Ms. Co is also currently the President of Fertuna Holdings, Inc., and Treasurer of 118 Holdings, Inc., Cosco Prime Holdings, Inc., Cosco Price, Inc., Ellimac Prime Holdings, Inc., KMC Realty Company, Patagonia Holdings Corporation, Patron Supermarket, Inc., Puregold Junior Supermarket, Inc., and VFC Land Resources, Inc. She is also a Director of Pajusco Realty Corporation, PSMT Philippines, Inc., 514 Shaw Property Holdings Corporation, Bellagio Holdings, Inc., Maxent Investments, Inc., Premier Wine and Spirits, Inc., Puregold Properties, Inc. and Puregold Duty Free (Subic), Inc., and is the General Manager of Ice Mixx Trading. Ms. Co received a Bachelor of Science degree in Entrepreneurship from Thames International Business School.

Marilyn V. Pardo, 74, Filipino
Independent Director

Mrs. Pardo was elected as an Independent Director of the Company on 5 October 2010 and will hold office until her successor is elected and qualified. She is currently the Chief Executive Officer of Asian Holdings Company, Downtown Properties, Inc., Casa Catalina Company, and Catalina Commercial Properties, Inc. Ms. Pardo received a Bachelor of Liberal Arts and an Associates Degree in Business from Assumption College.

Edgardo G. Lacson, 69, Filipino
Independent Director

Mr. Lacson was elected as an Independent Director of the Company on October 5, 2010 and will hold office until his successor is elected and qualified. He is currently the Chairman of Metrostore Company, MIL Export Philippines, Beacon Environmental Management Services, Managing Director of Link Edge and the President of MIS Maritime Company, Safe Seas Shipping Agency, Marine Industrial Supply Company, and EML Realty. He is also the President of the Employers' Confederation of the Philippines and a Member of the Makati Business Development Council, Philippine Nippon Kyokai Technical, Philippine Interisland Shipping Association, Makati Zoning Committee, De La Salle Canlubang (International Marine Class Committee) and the Management Association of the Philippines. Mr. Lacson is a member of the Board of Trustees of Home Development Mutual Fund (HDMF) and Philippine Petroleum Sea Transport Association (PHILPESTA). He is a Financial Consultant for the Office of the Vice-President of the Philippines and Consultant for the City Government of Makati and the Board of Trustees of The Academe. He is an Honorary Member of the Rotary Club of Diliman, Quezon City and of the Philippine Chamber of Commerce and Industry. He also serves as Independent Director in the Philippine Stock Exchange. Mr. Lacson received a Bachelor of Science in Commerce from De La Salle University.

Baby GerlieSacro, 34, 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, 33, Filipino
Compliance Officer

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

Juan de Letran and a Bachelor of Laws Degree from the University of Santo Tomas.

The names of the members and chairpersons of the Company's corporate governance committees are as follows:

Audit Committee

The Company's Audit Committee is responsible for assisting the Company's Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. The Audit Committee provides a general evaluation of and assistance in the overall improvement of its risk management, control and governance processes.

The Audit Committee reports to the Company's Board and is required to meet at least two times a year. The Audit Committee chairman is Mr. Edgardo Lacson, Independent Director, and members are Lucio L. Co, Leonardo B. Dayao, and Susan P. Co.

Compensation Committee

The Company's Compensation Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Company's Board and the Company's key executives to enable them to run the Company successfully.

The Compensation Committee reports directly to the Company's Board and is required to meet at least once a year. The Compensation Committee consists of Lucio L. Co as Committee chairman, Leonardo B. Dayao and Marilyn V. Pardo as members.

Nomination Committee

The Company's Nomination Committee is responsible for providing the Company's shareholders with an independent and objective evaluation and assurance that the membership of the Company's Board is competent and will foster long-term success and competitiveness. The Nomination Committee reports directly to the Company's Board and is required to meet at least once a year. The Nomination Committee consists of Susan P. Co as Committee chairman, Lucio L. Co, Leonardo B. Dayao and Marilyn V. Pardo as members.

5.4 Election of Directors

The following persons have been nominated for election to the Board as Directors and Independent Directors at the Annual Stockholders' Meeting:

Nominees for Directors	Nominees for Independent Directors
Lucio L. Co	Edgardo G. Lacson
Susan P. Co	Marilyn V. Pardo
Leonardo B. Dayao	
Ferdinand Vincent P. Co	
Pamela Justine P. Co	

The nominees were formally nominated to the Nomination Committee of the Board during its meeting held on March 27, 2012.

Pursuant to Securities Regulation Code (SRC) Sec. 38 and Rule 38.1, the Company is required to have at least two (2) independent directors. The Company's incumbent independent directors are Mr. Edgardo G. Lacson and Ms. Marilyn V. Pardo.

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

The final list of candidates for independent Directors, Mr. Lacson and Ms. Pardo were nominated for re-election as independent directors of the Company for the ensuing fiscal year 2012 by Mr. Lucio L. Co and Mrs. Susan P. Co. Mr. Lucio L. Co and Mrs. Susan P. Co has no relation whatsoever with the nominated directors nor are they employees or consultants of the Company or any of its affiliates.

Mr. Lacson and Ms. Pardo have always possessed the qualifiations and none of the disqualifications of an independent director.

All other nominations for the position of director must be received by the Corporate Secretary at least five (5) working days prior to the annual stockholders' meeting.

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

5.5 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.

5.6 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 and Ms. Pamela Justine P. Co.

5.7 Involvement in Legal Proceedings

As of record date, 4 April 2012, 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). Particularly, the Company is not aware of the following:

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

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

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

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

5.8 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 or Puregold Junior are lessees with respect to 31 lease agreements with parties controlled by the Co Family.

• TheCompany 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 Puregold Junior and the Licensed Affiliates. None of the tradenames and trademarks can also be transferred by Mr. Lucio Co.

• The Company has an agreement with Puregold Duty Free-Subic, Inc. pursuant to which Puregold Duty Free-Subic, Inc. sub-leases its leased line from the Philippine Long Distance Company.

• 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 more detailed information please refer to the related party transactions as disclosed in the Audited Financial Statements for the Year 2011)*

5.9 Ownership Structure and parent company

The Company owns 99% of Puregold Junior Supermarket, Inc. making it its sole subsidiary as of record date.

5.10 Transaction with Promoters

The company has no transaction with any promoters.

5.11 Resignation of Directors

No Director has resigned from his office or declined to stand for re-election to the Board since 10 May 2011 Stockholders' Meeting due to any disagreements with the Company relative to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

The details of the aggregate compensation paid or accrued during the last two years and the ensuing year to be paid to the Chief Executive Officer, Lucio L. Co, and to the four (4) most highly compensated executive officers namely, Susan P. Co, Leonardo B. Dayao, Aida De Guzman and Ma. Denise Carolino, are as follows:

	2010	2011	2012
CEO and four most highly compensated	9,704,000	11,857,500	11,780,000
All other officers as group unnamed	18,076,429.11	23,443,521.32	28,391,160.79

The total annual compensation includes basic pay and other taxable income paid for all services rendered by the above officers to the Company and its subsidiary.

Standard Arrangements

Non-executive directors receive per diem of Twenty Thousand Pesos (₱20,000.00) per committee meeting and Thirty Thousand Pesos (₱30,000.00) per board meeting.

Executive directors do not receive per diem. Their compensation already includes per diem.

Other Arrangements

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

Employment Contracts and Termination of Employment and Change in Control Arrangements

Executive officers are subject to existing Company's policies, rules, regulations and labor laws. Their employment may be terminated for just or authorized caused as provided by labor code.

The executive officers are entitled to receive 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.

Stock Options

On February 17, 2012, the Board of Directors of the Company approved the Stock Option Plan to be offered to its officers from the level of Assistant Manager and up. These officers can claim special discount on the price of the shares to be paid from their salaries staggered within the period of four years.

The Board plans to allocate 5% of its authorized capital stock for this purpose.

Further details of the said stock option plan is disclosed in item 8. The Stock Option Plain will still be submitted to the Securities and Exchange Commission and Bureau of Internal Revenue for approval and registration.

Item 7. Independent Public Accountants

The External Auditor of the Company for fiscal year 2011 is Manabat Sanagustin & Co. (KPMG). The partner-in-charge is Mr. Ador Mejia.

The Company has engaged Manabat Sanagustin & Co. (KPMG) since 2007 and there has been no disagreements on accounting and financial disclosure.

In compliance with with SRC Rule 68, (3), (b), (iv) where it states that changes should be made in assignment of external auditor or assigned partner atleast every five (5) years. The Board of Directors will nominate Manabat Sanagustin & Co. KPMG, as recommended by the Audit Committee, as the company's external auditor for 2012 audit. Mr. Arthur Machacon will be the new partner-in-charge.

Representatives of Manabat Sanagustin & Co. (KPMG) are expected to be present at the stockholders' meeting and will be available to respond to appropriate inquiry from stockholders regarding the 2011 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 subsidiary paid Manabat Sanagustin & Co. (KPMG) the total amount of Two Million Three Hundred Thousand Pesos (₱2,300,000.00) representing audit fee for the audit services rendered in year 2011.

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 4 April 2012 other than the Stock Option Plan. The grant of the Stock Option is still to be submitted for approval of the stockholders and relevant government regulators. The Company shall implement the Stock Option Plan once it is approved.

The material details of Stock Option Plan are as follows:

- The Company will allocate five percent (5%) of its authorized but unissued capital stock as Stock Option Plan that will be granted to officers starting from the Assistant Manager position and up, provided they have been holding the position for atleast a year at the time the Stock Option Plan is implemented.

- The officer who may avail of the plan shall be allocated shares worth three (3) months of his salary divided by the six (6) months Average Market Price (AMP) of the share immediately prior to the approval and implementation of the Stock Option Plan.

- The purchase price of the share shall be the six (6) months AMP of the share upon implementation of the plan discounted at 25%.

- The Officer has the option to pay in installment as salary deduction within a period of four (4) years.

- Tax in excess of AMP is for the account of the officer. Shares can only be transferred in the name of the grantee upon full payment, voting trust in the meantime shall be in favor of the Chairman. However, grantees are entitled to cash (to be applied first to unpaid installment) and stock dividends.

- The Chief Executive Officer, four highest paid employees, all other current executive officers, and all qualifed employees may only avail up to the limit as stated above.

The Company is adopting the Stock Option Plan as part of its employee retention plan of action in order to entice its officers to remain with the Company and to encourage productivity.

The Current Market value of the shares of the Company are located in Section E of the Company's Management report, which is attached herewith as Annex "B".

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

The Company has plans to issue shares in relation to its Stock Option Plan and Acquisition of Kareila Management Corporation, operator of S&R Membership Shopping (Kareila). Details of the transactions are disclosed in item 8 and 12 respectively.

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, 2011 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 will be included in the Management Report (Annex B) attached hereto.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Share Swap of 766,406,250 common shares of the Company for 1,703,125 common shares of Kareila Management Corporation, operator of S&R Membership Shopping (Kareila) owned by the Co Family.

(1) Approval by the Board

At the meeting of the Board of Directors of the Company held on March 27, 2012, the Board of Directors approved, subject to such consents and approvals, the issuance of 766,406,250 new common shares from the Company's authorized but unissued capital to the Co Family, in exchange for the Co Family's 1,703,125 common shares in Kareila representing one hundred percent (100%) of Kareila's outstanding capital stock (the "Share Swap").

The Company's President, Mr. Leonardo B. Dayao, was authorized by the Board to fix the total number of the Company's shares to be issued to the Co Family in exchange for the latter's Kareila shares which total number of shares shall be ratified by the Board of Directors before the annual stockholders' meeting scheduled on May 8, 2012.

(2) Description of theCompany's Securities to be issued in exchange for the shares in Kareila:

i. The shares to be issued to the Co Family are the common shares of the Company. Each common share entitles the holder to one vote. At each meeting of the stockholders, each stockholder entitled to vote on a particular question or matter involved shall be entitled to vote for each share of stock standing in his name in the books of the Company as of record date.

ii. Each holder of common shares shall be entitled to such dividends as may be declared by the Board of Directors on the basis of outstanding stock held by them. The Board of Directors is authorized to declare dividends which shall be declared and paid out of the Company's unrestricted retained earnings. A cash dividend does not require any further approval from the stockholders. A stock dividend shall require the further approval of the stockholders representing at least two-thirds of the Company's outstanding capital stock.

iii. Under the Company's Amended Articles of the Company, holders of common stock have waived their pre-emptive rights.

iv. There is no provision in the Company's Amended Articles of the Company or By-Laws that would delay, defer or prevent a change in control of the Company.

(3) Brief Description of Kareila Management Corporation:

Kareila principal activities are as follows: (a) to act as managers, managing agents, consignor, concessionaire or supplier of businesses engaged in manufacturing or trading of general merchandise and (b) to conduct and carry on the business of establishing and operating membership supermarket shopping and engage in the business of purchasing, importing and directly selling to members all kinds of goods, commodities, wares and merchandise. Its Principal office and Contact numbers are as follows:

Principal Address:	32nd St., 5th Avenue, The Fort Global City, Taguig City
Telephone Number:	(02) 888-0433/888-0640/888-0445

Kareila is the current operator of S&R Membership Shopping. It is a general consignor of goods and merchandise to the four stores of PSMT Philippines, Inc. located at (1) Fort Bonifacio Global City, Taguig City; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Parañaque City and (4) Westgate, FilinvestAlabang, Muntinlupa City subject to terms and conditions stated in the Consignment and

Concession Contract. Kareila is also engaged in the business of purchasing, importing and directly selling to members all kinds of goods, commodities, wares and merchandise. At present, it is operating two branches of membership supermarket shopping located at (1) Subangdaku, Mandaue and City and (2) City of San Fernando, Pampanga.

(4) Material Features of the Transaction:

4.1 Terms of the Agreement

The Company shall issue 766,406,250 new common shares from the Company's authorized but unissued capital to the Co Family, in exchange for the Co Family's 1,703,125 common shares in Kareilarepresenting one hundred percent (100%) of Kareila's outstanding capital stock.

A Stock Purchase Agreement ("SPA") shall be executed between the Company and the Selling Stockholders of Kareila Management Corporation ("Kareila") selling and conveying the 100% absolute and unencumbered respective ownership of the Selling Stockholders, as detailed below, in Kareila unto the Company:

Selling Stockholders of Kareila	Number of shares owned	Amount (PhP)
LucioLCo	681,250	68,125,000.00
Susan P. Co	681,250	68,125,000.00
Ferdinand Vincent P. Co	170,312	17,031,200.00
Pamela Justine P. Co	170,312	17,031,200.00
Anthony Sy	1	100
Total	1,703,125	170,312,500.00

The sale and purchase of the 100% absolute and unencumbered ownership of the Selling Stockholders in Kareila unto the Company shall be presented for ratification by the stockholders of the Company with the controlling stockholders of the Company who are likewise the Selling Stockholders of Kareila voting in the said stockholders' meeting.

The acquisition by the Company of the 100% absolute and unencumbered ownership of the Selling Stockholders in Kareila does not require any prior regulatory approval from any government agency. But the acquisition shall be effective upon the ratification of the said transaction by the stockholders of the Company.

The rights of security holders will not be affected by the transaction. However, the Company shall be securing from the majority of the minority shareholders of the Company their approval and consent to waive the requirement of a rights or public offering as required by the Philippine Stock Exchange. If such approval is not secured, the Company shall be required to perform a rights offering to all stockholders except all major stockholders and directors.

4.2 Reasons for the Acquisition

The Company is acquiring Kareila for the following compelling strategic reasons.

The acquisition shall increase the national network and market share of the Registrant. The Combined business will enhance the Company's # 2 position in the modern retail trade in the Philippines with a combined market share of about 20% of the modern retail trade. The Company currently has a market share of 16% of the modern retail trade in the Philippines and Kareila has a market share of 3.3%.

The acquisition shall broaden the customer base of the Registrant to cover the whole spectrum of the market segments from market A to E.

i. Kareila, through its membership shopping business with a membership base of about 215,000 nationwide, focuses on the higher-end Class "A" and "B" customers

ii. This complements the Registrant's mass-market focused Class "C", "D" and "E" customers

The acquisition shall increase the profitability of the Registrant's retail business. The higher gross and net profit margins of

Kareila will substantially improve the overall profitability picture of the Company.

CY 2011	Gross margin	Net margin
Company	14.2%	4.0%
Kareila	18.3%	9.9%

The acquisition further enhances the distinctive differentiation of the Registrant against its closest competitor,as theHigh-end membership shopping business is currently not part of the business model of competitors.

(5) Accounting Treatment Of The Transaction

After the execution, completion and closing of the acquisition of Kareila, Kareila shall remain to be a separate corporation, which will be 100%-owned subsidiary of the Company.

(5) Fiscal Performance of the Kareila for the past two fiscal years:

(A) net sales or operating revenues			
	2010	**P**	**4,137,743,748**
	2011		**6,646,338,679**
(B) income (loss) from continuing operations			
	2010	**P**	**143,876,941**
	2011		**660,266,229**
(C) long term obligations and redeemable preferred stock			
	2010		**none**
	2011		**None**
(d) book value per share			
	2010	**P**	**842.76**
	2011		**488.19**
(e) cash dividends declared per share			
	2010		**none**
	2011		**None**
(f) income (loss) per share from continuing operations			
	2010	**P**	**708.32**
	2011		**387.68**

A more detailed discussion of the financial performance of Kareila is presented and discussed in Annex "E" of this Information Statement.

(7) Fairness Opinion and Valuation Report

The Company engaged the services of Punongbayan & Araullo, CPAs ("P&A"), as the third-party valuation and fairness opinion services provider. P&A is an independent firm duly registered or licensed by the Securities and Exchange Commission and accredited by the Philippine Stock Exchange ("PSE") for purposes of issuing valuation and fairness opinion reports for listed companies, in accordance with the Guidelines for Fairness Opinions and Valuation Reports of the PSE.

P&A was selected among the eleven (11) accredited firms of the PSE for purposes of issuing valuation and fairness opinion reports for listed companies. The Company likewise opted to appoint a third-party valuation and fairness opinion services provider who has no possible financial interest in the Company. P&A is an accounting firm compared to the other accredited firms who are investment houses.

The Registrant and Kareila do not have any material relationship with P&A during the past two (2) years.

The Registrant and the Selling Stockholders of Kareila have determined, on their own, the amount of the consideration for the acquisition transaction.

P&A used the valuation methodologies for the valuation of the Registrant and Kareila, as the basis of their fairness opinion report.

The valuation and fairness opinion report of P&A shall be presented during the stockholders' meeting ratifying the acquisition transaction.

During the stockholders' meeting, P&A shall be available to expound on their valuation and fairness opinion report and to answer questions from any of the stockholders of the Registrant.

(8) Past, Present or Proposed Related Party Contracts, Arrangements of Kareila

Kareila has a Consignment and Concession Agreement with PSMT Philippines Inc. over the latters four hypermarts. PSMT has granted Kareila the right to consign goods in the four hypermarts for a period of 5 years, which is renewable upon mutual consent of the parties. In exchange for this right, PSMT receives 4% of the gross sales of Kareila.

Kareila and PSMT have common key management personnel.

A more detailed description is disclosed in note 13 of Kareila's Audited Financial Statements that are attached herewith as Annex "F".

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. Annual Report of the President.

2. Approval of the President's Annual Report and ratification of all other acts and resolutions of the Board of Directors and Management from the date of the previous Stockholders' Meeting in May 10, 2011 up to the Meeting date 8 May 2012. (Please refer to **"Annex C"** of this Information Statement for the summary of the relevant acts and resolutions of the management and the Board of Directors for approval).

3. Stock Option Plan.
4. Acquisition of shares of Kareila Management Corporation
5. Waiver of the Rights or Public Offering in relation to the acquisition of Kareila Management Corporation.
6. Election of Directors.
7. 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

No action is to be taken with respect to amendment of Charter, By-laws and other documents.

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.

Except in cases where voting by ballot is requested, voting and counting shall be by *viva voce*. If by ballot, each ballot shall be signed by the shareholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him. Such stockholder may or may not cumulate his votes. The counting thereof shall be supervised by the transfer agent BDO Trust and Investments Group.

PART II

INFORMATION REQUIRED IN A PROXY FORM

Item 1. Solicitor. The following proxies are being secured for the benefit of the Company. The Company has designated its President, Mr. Leonardo B. Dayao, as the person who shall vote the proxies gathered by the Company. The proxy form is intended to facilitate representation by stockholders and will be used for voting at the 2012 Annual Meeting of Stockholders to be held at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City on the date and time and place stated above and in the Notice accompanying this Information Statement and at any postponements or adjournments thereof.

Item 2. Instructions. The Proxy Form, must be properly signed, dated and returned by the stockholder on or before April 27, 2012. Validation of proxies will be held at the Company's principal office on 30 April 2011 at 10:00 a.m. For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy.

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

Subject to a stockholder's right to revoke his own proxy as stated in Item 3 below, the proxy given by a stockholder shall be voted by the Company's President, Mr. Leonardo B. Dayao, in his absence, by the Chairman of the Board, Mr.Lucio L. 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 3.Revocability of Proxy. A stockholder giving a proxy has the power to revoke it at any time before the right granted under and by virtue of such proxy is exercised, either: (a) by submitting a sworn statement revoking such proxy on or before 4 May 2012; or, (b) by appearing at the Meeting in person and expressing his intention to vote in person.

Item 4. Persons Making the Solicitation. The Company is soliciting proxies. The proxy form is intended to facilitate representation by stockholders and will be used for voting at the 2012 Annual Meeting of Stockholders to be held on the date and time and place stated above and in the Information Statement, and at any postponements or adjournments thereof.

As of the date the Information Statement and this Proxy Form are sent to stockholders of record, NO director has informed the Company in writing that he opposes any actionintended to be taken by the Company at the Meeting.

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

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

The Company will bear the cost of preparing, collating and delivering to stockholders the Information Statement, the Proxy Form and the accompanying materials and the Company estimates expenditures for these to amount to about PHP 1,000,000.00

Item 5. Interest of Certain Persons in Matters to be Acted Upon. One of the matters to be acted upon during the Annual Stockholders Meeting is the ratification of acquisition of shares of stocks of Kareila Management Corporation by the Company and the waiver of the rights or public offering of the shares to be issued to the selling stockholders of Kareila Management Corporation. Kareila Management Corporation is principally owned by the following: Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co and Pamela Justine P. Co. All of them are current directors of the Company and nominees as directors for this year 2012.

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 11th day of April 2012.

PUREGOLD PRICE CLUB, INC.

BY:

BABY GERLIE SACRO
Corporate Secretary

UNDERTAKING

The company shall provide without charge to each stockholder, a copy of its Annual Report or SEC Form 17-A, upon written request of such person addressed to the Office of the Corporate Secretary.

PUREGOLD PRICE CLUB, INC.

BY:

BABY GERLIE SACRO
Corporate Secretary

ANNEX "A"

PROXY FORM

Date:____________

The undersigned hereby appoints __________________ or, in his absence, _________________, with full power of substitution and delegation, as proxy to vote all the shares of the undersigned at the 2012 Annual Stockholders' Meeting of PUREGOLD PRICE CLUB, INC. to be held on **May 8, 2012, 2:00 p.m. at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City** and at any postponements or adjournments thereof.

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

Corporate Matters:

	FOR	AGAINST	ABSTAIN
Approval of the 2011 Minutes of Annual Stockholders' Meeting			
Approval of 2011 Annual Report			
Approval of the Stock Option Plan			
Approval of the Acquisition of Kareila Management Corporation			
Waiver of the Rights Offering or Public Offering of the Shares to be issued to the Stockholders of Kareila Management Corporation			
Ratification of Acts/Resolutions of Board of Directors &Management			
Appointment of KPMG, as Independent External Auditor			

Election of Directors:

FOR THE FOLLOWING:

Vote for all nominees listed below:	(To withhold authority to vote for any individual nominee, write down the name(s) of the nominee(s) on the space provided below)
LUCIO L. CO	
SUSAN P. CO	
FERDINAND VINCENT P. CO	
PAMELA JUSTINE P. CO	
MARILYN V. PARDO*	
EDGARDO G. LACSON*	

Independent Director

Printed Name of Stockholder

Signature of Stockholder/
Authorized Representative/Signatory

Date: ____________________

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.

ANNEX "B"

PUREGOLD PRICE CLUB INC.

No. 900 Romualdez St., Paco, Manila
(632) 822-8801 to 04; (632) 523-3055
Website: www.puregold.com.ph

MANAGEMENT REPORT ACCOMPANYING INFORMATION STATEMENT PURSUANT TO SRC RULE 20 (4)

MANAGEMENT REPORT

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E. Market Price, Holders, Dividends & Recent Sale of Unregistered Securities or Exempt Transactions
F. Legal Proceedings
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A. MANAGEMENT REPRESENTATION LETTER AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2011

The Management Representation Letter and Audited Consolidated Financial Statements of PUREGOLD PRICE CLUB, INC. (the "Company") for the fiscal year ended 31 December 2011 are attached hereto as Annex "D".

B. DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

The Corporation has had no disagreements with its accountants Manabat Sanagustin & Co. for the past two fiscal years regarding any accounting and financial disclosures.

However, in compliance with SRC Rule 68, (3), (b), (iv) which provides that the external auditor or assigned partner should be changed atleast every five (5) years, the Board of Directors has nominated Manabat Sanagustin & Co. KPMG, as recommended by the Audit Committee, as the company's external auditor for 2012 audit. Mr. Arthur Machacon will be the new partner-in-charge in lieu of the previous audit partner-in-charge, Mr. Ador Mejia.

C. GENERAL NATURE AND SCOPE OF BUSINESS

Business of the Company

The Company conducts its operations through the following three retail formats and store brands, each of which is strategically located to target distinct price points and demographics:

- *Hypermarkets.* The Company conducts its operations primarily through a hypermarket format known as "Puregold Price Club". These hypermarkets are mostly located in major commercial centers and near transportation hubs. Puregold Price Club offers a broad variety of food and non-food products, and generally caters to both retail customers and resellers such as members of the Company's pioneering *Tindahan ni Aling Puring* ("TNAP") loyalty/marketing program. The average net selling space of the Company's hypermarket is 3,000 square meters. Each hypermarket offers 30,000 to 50,000 stock-keeping units (SKU).

- *Supermarkets.* The Company has a supermarket chain known as "Puregold Junior", operated by its wholly-owned subsidiary, Puregold Junior Supermarket, Inc. In June 2010, Puregold Junior Supermarket, Inc. became a subsidiary of the Company as part of a reorganization of companies owned and controlled by the Co Family. The Company's supermarkets are mostly located in residential areas and offer a higher proportion of food to non-food products compared to the Company's hypermarkets. The supermarkets have a store layout similar to the Company's hypermarkets but on a smaller scale. Puregold Junior stores generally cater to retail consumers. The average net selling space of the Puregold Junior supermarkets is around 900 square meters. SKUs of product assortment ranges from 8,000 to 10,000.

- *Discounters.* "Puregold Extra" is the Company's discount store format which offers a more limited number of goods, comprising the Company's top-selling SKUs ranging from 1,500 to 2,000. The average net selling space of these stores is 400 square meters.

The Company focuses on two customer segments: retail consumers and resellers. Approximately 65% of the Company's customers are C-class and D-class retail customers, with a monthly income from ₱8,000 to ₱50,000, based on a 2010 Nielsen Study. Approximately 35% of the Company's customers comprise resellers who are small to medium-size business owners.

In 2001, the Company established its TNAP loyalty/marketing program for resellers, and as of December 31, 2011, the Company served over 200,000 *sari-sari* stores and small to medium-size businesses, and engaged over 1,500 suppliers and trade partners. To effectively serve its customer base, the Company maintains strong relationship with suppliers and trade partners, working closely with them to satisfy customers with reliable on-time deliveries.

The Company at the end of 2011 has 100 stores: 61 hypermarkets, 28 supermarkets, and 11 discounters with an aggregate net selling area of 214,737 square meters. These stores are located in 31 cities and 23 municipalities. 53 of the stores are located in Metro Manila, 16 in North Luzon and 31 in South Luzon.

Properties of The Company

As of 31 December 2011, the Company owns 9 parcels of land with an aggregate area of 33,452 square meters situated at the following locations:

1. Calicanto, Batangas
2. Brgy. BatongMalaki, Los Baños, Laguna
3. Pandacan, Manila
4. Balibago, Sta. Rosa, Laguna
5. Calamba Crossing, Calamba, Laguna
6. Mamatid, Cabuyao, Laguna
7. San Pablo Highway, San Pablo, Laguna
8. Canlubang Asia, Canlubang, Laguna

9. Magalang, Pampanga

Apart from the said parcels of land, the Company also owns 19 buildings with aggregate area of 154,619 square meters located at the following sites:

1. Barangay Panapaan, Bacoor, Cavite
2. Don Mariano Marcos Ave., Commonwealth, Quezon City
3. Brgy. San Gabriel, Governor's Drive, GMA, Cavite
4. 3191 New Panaderos St., Sta. Ana, Manila
5. Brgy. Talon, Las Piñas City, Metro Manila
6. JP Rizal St., Brgy. Singkamas, Makati City
7. Km. 42, McArthur Highway, Brgy. Bulihan, Malolos, Bulacan
8. Mindanao Ave., Quezon City
9. E. Rodriguez Highway, Brgy. Rosario, Rodriguez (Montalban), Rizal
10. Formerly Fairview Market, Fairview, Quezon City
11. A. Linao St., Malate, Manila
12. Ninoy Aquino Ave., Parañaque City
13. Km. 21 Gen. Luna St., Brgy. Banaba, San Mateo, Rizal
14. Cosico St., (Brgy 1-A) Brgy. San Roque, San Pablo City
15. Magsaysay Blvd. cor. Altura Ext., Sta. Mesa, Manila
16. ME Rd. to Golden City Rd., Dila, Sta. Rosa, Laguna
17. Brgy. Sanja Mayor, Tanza, Cavite
18. Zabarte cor. Susano Roads, Brgy. Camarin, Caloocan City
19. Poblacion II, Tiaong, Quezon

The Company's subsidiary, Puregold Junior Supermarket, Inc., owns one parcel of land with building erected thereon located at Jose Yulo Sr. Blvd. Calamba City, Laguna consisting of 481.60 square meters.

All the aforesaid buildings are in good condition currently being used and occupied as Puregold stores. All the parcels of land are likewise occupied as Puregold stores.

None of the said properties is subject of or involved in any mortgage, lien or any kind of encumbrance nor is there any limitation on its ownership or usage.

In the next twelve months, the Company intends to acquire one parcel of land located at McArthur Highway, Tarlac City with an area of 7,610 square meters. The Company plans to lease 8 parcels of land and 14 buildings bringing in additional 97,264 square meters, the locations are as follows:

LAND LEASE

1. La Trinidad, Benguet, Brgy. Pico, La Trinidad, Benguet
2. Laoag, Ilocos Norte, Poblacion, City of Laoag

3. Barrio of LumangSagad&Sto. Domingo, Cainta, Rizal
4. Poblacion, Vigan, Ilocos Sur
5. Barangay Camilmil, Calapan City, Oriental Mindoro
6. San Francisco del Monte Avenue &KanlaonSts., Quezon City
7. Silang, Cavite

BUILDING LEASE

1. Star Mall, Bo. Sto. Cristo, San Jose del Monte, Bulacan
2. Agro, Putatan, Muntinlupa City
3. Brgy. Iba and Camalig, Meycauayan, Bulacan
4. National Highway, Pagsanjan, Laguna
5. Barrio Sto. Niño, Hagonoy, Bulacan
6. New Molino Boulevard, Molino, Bacoor, Cavite
7. Doña Syquia Avenue, Bantug, Roxas, Isabela
8. Barangay Poblacion II, Nasugbu, Batangas
9. Don Juan Dacanay St., San Fermin, Cauayan, Isabela
10. Rizal Ave. & F.L. Dy St., Brgy. Dist. III, Cauayan City, Isabela
11. Cor. M.H. del Pilar, Ancheta& C. Santos Sts., Poblacion San Fernando, La Union
12. 338 to 1340 San Andres corner Osmeña Highway, Sta. Ana, Manila

Its subsidiary, Puregold Junior Supermarket, moreover intends to lease one parcel of land located at Agoo, La Union with an area of 1,300 square meters and lease 7 buildings with a total of 10,322 square meters located at:

1. Barangay Manggahan, Gen. Trias, Cavite
2. BatongMalake, Los Baños, Laguna
3. 53 West Avenue, Brgy. Paltok, Quezon City
4. Poblacion, San Pablo, Laguna
5. Malvar corner Knights of Rizal Sts, Tubigan, Biñan, Laguna
6. Libertad Street corner Taft Avenue, Pasay City
7. Ivory Theater, San Mateo, Rizal

D. MANAGEMENT'S PLAN OF OPERATION, DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

The following is a discussion and analysis of the Company's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Company's business and should be read in conjunction with the auditors' reports and the Company's audited consolidated financial statements and notes attached herewith as Annex "D".

Plan of Operation

The Company intends to open 25 new stores in the next 12 months. Capital expenditures for these new stores will be coming from the funds generated from Initial Public offering and internally generated funds.

In relation to the expansion plan, the company will require additional workforce of a total of 3,557 employees.

The Corporation shall issue 766,406,250 new common shares from the Corporation's authorized but unissued capital to the Co Family, in exchange for the Co Family's 1,703,125 common shares in Kareila representing one hundred percent (100%) of Kareila's outstanding capital stock.

The acquisition by the Corporation of the Kareila shares will allow the Corporation to cover the whole spectrum of the market segments from market A to E.

Performance indicators of the Company

The top five (5) key performance indicators of the Company are as follows:

	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Current Ratio	1.12:1	0.72:1	0.91:1
Current Assets	7,448,864,183	5,415,912,091	9,915,706,793
Current Liabilities	6,628,729,935	7,529,054,486	10,867,025,696
Debt to Equity Ratio	0.79:1	3.94:1	8.85:1
Total Liabilities	7,368,037,321	8,075,895,700	11,202,324,797
Stockholders Equity	9,311,638,970	2,047,822,435	1,265,534,973
Equity to Debt Ratio	1.26:1	0.25:1	0.11:1
Stockholders Equity	9,311,638,970	2,047,822,435	1,265,534,973
Total Liabilities	7,368,037,321	8,075,895,700	11,202,324,797
Book Value per Share	5.81977	1.61790	1.07423
Stockholders Equity	9,311,638,970	2,047,822,435	1,265,534,973
Weighted Average shares outstanding	1,600,000,000	1,265,727,543	1,178,081,168
Income per Share	0.9656	0.4032	0.1116
Net Income	1,544,994,807	510,368,629	131,425,933

Weighted Average shares outstanding	1,600,000,000	1,265,727,543	1,178,081,168

The Company has a wholly-owned subsidiary, Puregold Junior Supermarket, Inc. The company acquired 100% of Puregold Junior's capital stock in July 2010. The performance indicators of Puregold Junior are as follows:

	Dec. 31, 2011	Dec. 31, 2010
Current Ratio	0.66:1	0.55:1
Current Assets	1,072,914,655	547,645,376
Current Liabilities	1,626,240,598	998,528,096
Debt to Equity Ratio	6.98:1	15.95:1
Total Liabilities	1,704,928,558	1,038,638,918
Stockholders Equity	244,211,373	65,109,285
Equity to Debt Ratio	0.14:1	0.06:1
Stockholders Equity	244,211,373	65,109,285
Total Liabilities	1,704,928,558	1,038,638,918
Book Value per Share	488.42275	173.62476
Stockholders Equity	244,211,373	65,109,285
Weighted Average shares outstanding	500,000	375,000
Income per Share	358.2042	72.8082
Net Income	179,102,088	27,303,068
Weighted Average shares outstanding	500,000	375,000

Results Of Operations:

			For the Years Ended December 31	
(In millions)	**2008**	**2009**	**2010**	**2011**
Net Sales	18,841.8	24,112.4	29,108.0	38,987.9
Cost of Sales	17,450.6	21,893.0	25,577.0	33,453.1
Gross Profit	1,391.2	2,219.4	3,531.0	5,534.8
Other Operating Income	891.5	785.3	780.7	1,051.9

	2,282.7	3,004.7	4,311.7	6,586.6
Operating Expenses				
Selling	1,710.7	2,082.3	2,695.6	3,568.1
General and administrative	131.1	182.6	261.2	381.5
Other operating expenses	143.9	281.5	369.5	421.2
	1,985.7	2,546.5	3,326.3	4,370.8
Operating Income	297.0	458.2	985.3	2,215.9
Other expenses – net	(119.4)	(269.3)	(242.4)	(11.2)
Income before income tax	177.6	188.9	743.0	2,204.7
Income tax expense	48.2	57.5	232.6	659.7
Net Income	**129.4**	**131.4**	**510.4**	**1,545.0**

The results of the Company operations for the past 4 fiscal years are as follows:

Comparative between Fiscal Years 2011 and 2010

Net Sales

Puregold Price Club, Inc. and subsidiary Puregold Junior Supermarket Inc., generated consolidated net sales of Php38,987.9 million in 2011, 33.9% higher than prior year's Php29,108.0 million. This was mainly driven by the full year operation of the new stores opened in 2010 and increased customer traffic and ticket.

Years Ended Dec 31

In billions	**2011**	**2010**	**Percent Increase**
Hypermarket	33,556.5	27,583.9	21.7%
Supermarket	4,694.7	1,481.3	216.9%
Discounter	736.7	42.8	1620.4%
TOTAL	38,987.9	29,108.0	33.9%

The supermarket format is operated by Puregold Junior Supermarket, Inc. which became a wholly-owned subsidiary in July 2010.

Like For Like Sales

Like for like sales is a measure which indicates the performance of our existing stores by comparing the sales during the prior year's 12 full months of operations with that of the current year. Key Performance Indicators (KPI) in measuring the performance are the traffic and the ticket of the store during the comparable year.

The following table sets the key performance indicators growth relevant to net sales:

Year Ended Dec 31

Like for Like Traffic	2011	2010
Hypermarket	1%	1%

Supermarket	8%	-7%

Year Ended Dec 31

Like for Like Ticket	2011	2010
Hypermarket	5%	-2%
Supermarket	6%	-14%

Data of Supermarket includes operations of Puregold Junior Supermarket Inc. prior to the acquisition.

Gross Profit

As a result of strong sales growth, profitability significantly improved as well. Gross Profit increase of 56.7% is a direct result of higher level of rebates and conditional discounts received during the year in support of the company's store expansion. Hypermarket contributed 84.4%, while 13.8% was contributed by supermarket format. The Discounter which was first established in September 2010 contributed 1.8% of current year's Gross Margin.

Other Operating Income

Relative to the expansion, Other Operating Income improved in the similar rate as net sales. The 2011 Other Operating Income of ₱1,051.9 million is 34.7% better than 2010's ₱780.7 million. Other Operating Income is largely Concession Income where the company gets a fixed percentage of margin from the sale of goods not owned by the Company, Rent Income for ancillary services for customers' convenience and Display Allowance, increase of which are all related to store expansion.

Selling Expenses

Selling Expenses slightly improved as a percentage of sales from 9.3% in 2010 to 9.2% in 2011. The 32.4% in 2011 over 29.5% in 2010 is largely due to the full year consolidation of Puregold Junior, the full year operations of the 22 stores opened in 2010 and the expenses of the 38 stores opened in 2011.

Manpower Expenses, direct hired and outsourced, and related expenses accounts for 37.0% of the selling expenses is stable at 3.4% of sales despite the 35.0% increase from ₱976.6 million in 2010 to ₱1,318.5 million in 2011.

Rent Expense increased by 13.0% from ₱701.7 million in 2010 to ₱793.2 million in 2011. This accounts for 2.0% of sales, lower than last year's 2.4%, due to reversal of rent expense in compliance with PAS 17 – *Leases*

Depreciation Expense significantly increased by 63.8% from ₱₱279.0 million in 2010 to ₱457 million in 2011, largely due to the full year operation of the 22 stores opened in 2010 and the 38 stores opened in 2011.

The company starts to pay Royalty for the use of Puregold name based on sales starting July 2011. The name Puregold is registered trademark of the Chairman of the company.

Utilities, Supplies and Other Selling Expenses remain to be 1.9%, 0.5% and 0.2% as percentage of sales.

Administrative Expenses

Administrative Expenses slightly increased from 0.9% in 2010 to 1.0% in 2011, as a percentage of sales. This is largely due to the full year consolidation of Puregold Junior, the full year operations of the 22 stores opened in 2010 and the expenses of the 38 stores opened in 2011.

Taxes Permits & Licenses remains to be 0.3% of sales with 35% increase from last year's P98.7 million to P133.3 million this year.

Repairs & Maintenance increased by 45.5% from P72.2 million in 2010 to P105.0 million in 2011as a result of the Company's expansion and the renovation of older stores that did not meet the Company's current standards.

Insurance remains to be 0.1% of sales despite the increase of 39.4% from P37.2 million in 2010 to P51.9 million in 2011 resulting from the Company's expansion.

Representation increased by 212.7% from P7.4 million in 2010 to P23.1 million in 2011 due to independent examination of regulatory bodies of prior year and current year results of operation.

Fuel & Oil, Transportaion& travel and Professional Fee, combined, remains to be at 0.1% of sales and slightly increased from P21.5 million in 2010 to P29.7 million in 2011, relative to Company's expansion and continuous oil price hike.

Other Operating Expenses

Other Operating Expenses declined from 1.3% in 2010 to 1.1% in 2011, as a percentage of sales. Increase from previous year was trimmed down to 14.0% in 2011 from 31.3% in 2010. Changes on the account was relatively due to the full year consolidation of Puregold Junior, the full year operations of the 22 stores opened in 2010 and the expenses of the 38 stores opened in 2011.

Security expenses slightly increased by 19.2% from P219.3 in 2010 to P261.3 million in 2011 with 0.7% and 0.8% as a percentage of sales in 2011 and 2010, respectively.

Janitorial &Messengerial remains to be at 0.2% as a percentage of sales increasing by 38.6% from P58.7 million in 2010 to P81.3 million in 2011.

Disallowed Input VAT increased by 44.6% in line with the increase in sales from P16.3 million in 2010 to P23.5 million in 2011, stable at 0.1% as a percentage of sales.

Bank Charges, Donations and Miscellaneous expenses, combined, was lower at ₱55.1 million in 2011 compared to ₱75.3 million in 2010 due to significant donations made last year. Miscellaneous expenses, however, increased at a significant rate of 1,369.7% as a result of the Company's expansion and a non-recurring loss on pretermination of lease contract as the Company relocated one store to a different location for strategic purposes.

Comparative between Fiscal Years 2010 and 2009

Net sales

The following table sets out certain key operating performance indicators relevant to net sales in 2009 and 2010 and the percentage change in these key operating performance indicators between the two periods.

	2009	2010	Percentage Change (%)
Hypermarkets			
Total traffic	36,672,909	44,526,352	22
Average traffic per store per day	3,436	3,270	(8)
Average net ticket (₱)	657	619	(6)

The following table shows the percentage growth in like-for-like indicators in 2009 and 2010:

Hypermarket like-for-like growth	2009-2010 (%)
Like-for-like net sales growth	(1)
Like-for-like average net ticket growth	(2)
Like-for-like traffic growth	1

In 2010, the Company's net sales was ₱29,108.0 million, an increase of 20.7% compared to Php24,112.4 million in 2009. This increase in net sales was largely due to increased turnover as a result of the opening of 10 hypermarkets, nine supermarkets and two discounters in 2010.

Hypermarket like-for-like net sales decreased by 1%.Hypermarket like-for-like traffic increased by 1%.Hypermarket like-for-like average ticket decreased by 2%. Like-for-like sales in hypermarkets were negatively impacted when the Company discontinued its relationship as a supplier to a Government-owned and controlled entity, the Philippine National Police Service Stores System, due to changes in Philippine tax laws that made the business relationship unprofitable.

Cost of sales

In 2010, the Company's cost of sales was ₱25,577.0 million, an increase of 16.8% compared to Php21,893.0 million in 2009. This increase in cost of sales was largely due to an increase in inventory as a result of the opening of new stores.

Other operating income

In 2010, the Company's other operating income was Php780.7 million, a decrease of 0.6% compared to Php785.3 million in 2009. This decrease in other operating income was largely due to a change in accounting treatment in relation to listing fees, which were treated as other operating income prior to 2010. As a result of a BIR recommendation in 2010, these listing fees were treated as a deduction to cost of sales in 2010.

Operating expenses

In 2010, the Company's operating expenses were Php3,326.3 million, an increase of 30.6% compared ton Php2,546.5 million in 2009. This increase in operating expenses was largely due to an increase in selling expenses due to the Company's expansion.

Selling expenses

In 2010, the Company's selling expenses were Php2,695.6 million, an increase of 29.4% compared to Php2,082.3 million in 2009. This increase in selling expenses was largely due to an increase in rent and in the cost of manpower agency services to staff the Company's new stores.

General and administrative expenses

In 2010, the Company's general and administrative expenses were Php261.2 million, an increase of 43.0% compared to Php182.6 million in 2009. This increase in general and administrative expenses was due in part to increases in taxes, retirement benefits and maintenance costs as a result of the Company's expansion.

Other operating expenses

In 2010, the Company's other operating expenses were Php369.5 million, an increase of 31.3% compared to Php281.5 million in 2009. This increase in other operating expenses was largely due to increases in janitorial and messenger services as a result of the Company's expansion, as well as a one time donation by the Company to a non-profit educational institution.

Other expenses

In 2010, the Company's other expenses were Php242.4 million, a decrease of 10.0% compared to Php269.3 million in 2009. This decrease in other expenses was largely due to decrease in interest expense as a result of the Company's repayment of existing loans.

Income tax benefit/(expense)

In 2010, the Company's income tax expense was Php232.6 million, an increase of 304.5% compared to Php57.5 million in 2009. This increase in income tax expenses was largely due to the increase in the Company's income before income tax as a result of the Company opening new stores.

Net income

In 2010, the Company's net income was Php510.4 million, an increase of 288.4% compared to Php131.4 million in 2009. This increase in net income was largely due to increased income from operations as a result of the Company opening new stores.

Comparative between Fiscal Years 2009 and 2008

Net sales

The following table sets out certain key operating performance indicators relevant to net sales in 2008 and 2009 and the percentage change in these key operating performance indicators between the two periods.

	2008	2009	Percentage Change (%)
Hypermarkets			
Total traffic	30,370,059	36,672,909	21
Average traffic per store per day	3,752	3,436	(8)
Average net ticket (₱)	620	657	6

The following table shows the percentage growth in like-for-like indicators in 2008 and 2009:

Hypermarket like-for-like growth	2008-2009 (%)
Like-for-like net sales growth	4
Like-for-like average net ticket growth	8
Like-for-like traffic growth	(3)

Net sales increased by 28.0% from Php18,841.8 million in 2008 to Php24,112.4 million in 2009. This increase was driven by the opening of four new stores and the reopening of one store previously closed due to fire damage in 2009, as well as increases in net sales in most branches of the Company's stores.

Like-for-like net sales grew by 4% for hypermarkets from 2008 to 2009. In the same period, like-for-like average ticket grew 8% for hypermarkets, while like-for-like traffic decreased by 3% for hypermarkets. The decrease in like-for-like traffic was in part attributable to the opening of new stores in the vicinity of existing Company stores.

Cost of sales

The cost of sales increased by 25.5% from Php17,450.6 million in 2008 to Php21,893.0 million in 2009, due primarily to the high sales turnover in existing and new branches of the Company.

Other operating income

Other operating income decreased by 11.9% from Php891.5 million in 2008 to Php785.3 million in 2009 primarily as a result of a lower display allowance from suppliers.

Operating expenses

Operating expenses increased by 28.2% from Php1,985.7 million in 2008 to Php2,546.5 million in 2009. This was primarily a result of the Company's opening of four new stores and the reopening of one stores, as well as increased sales in existing branches, which resulted in increased selling expenses, general and administrative expenses and other operating expenses.

Selling expenses

Selling expenses increased by 21.7% from Php1,710.7 million in 2008 to Php2,082.3 million in 2009, due primarily to the cost of manpower agency services incurred in 2009 for the Company's new stores.

General and administrative expenses

General and administrative expenses increased by 39.2% from Php131.1 million in 2008 to Php182.6 million in 2009, driven by the Company's opening of new stores and increased sales turnover in existing branches.

Other operating expenses

Other operating expenses increased by 95.6% from Php143.9 million in 2008 to Php281.5 million in 2009. This increase was driven by higher janitorial and security service expenses in connection with the Company's expansion during this period.

Other (net) expenses

Other (net) expenses increased by 125% from Php119.4 million in 2008 to Php269.3 million in 2009 due primarily to increases in the Company's borrowings in 2009 for advances to affiliate companies, as well as to fund its operations.

Income tax benefit/(expense)

Income tax increased by 19.3% from Php48. 2 million in 2008 to Php57.5 million in 2009, primarily as a result of increased sales by the Company in 2009.

Net income

Net income increased by 1.5% from Php129.4 million in 2008 to Php131.4 million in 2009, primarily as a result of increased income from operations as a result of the Company opening new stores.

Liquidity And Working Capital

The following table sets forth information from the Company's Assets and

(In millions)	2008	2009	2010	2011
ASSETS				
Cash & Cash Equivalents	1,224.7	1,136.1	1,837.9	1,955.2
Investments in trading securities	7.4	12.3	23.8	24.0
Receivables - net	809.2	645.3	241.6	410.4
Merchandise inventory	1,901.1	1,904.3	2,934.3	4,522.9
Due from Related Parties	3,898.8	6,004.2	0.0	
Prepaid expenses and other current assets	127.7	213.5	378.3	536.4
Total Current Assets	7,968.8	9,915.7	5,415.9	7,448.9
Property and equipment - net	1,592.1	2,166.0	4,145.5	6,005.6
Deferred tax assets	66.7	101.2	165.3	220.1
Other noncurrent assets	235.2	285.0	397.0	3,005.1
Total Noncurrent Assets	1,893.9	2,552.2	4,707.8	9,230.8
Total Assets	9,862.8	12,467.9	10,123.7	16,679.7
LIABILITIES AND EQUITY				
Loans payable	4,241.3	6,114.2	2,092.3	
Accounts payable and accrued expenses	3,230.3	3,767.5	5,007.0	6,234.6
Due to related party	154.5	383.5	0.0	8.9
Income tax payable	21.8	25.2	102.2	186.1
Trust receipts payable	0.0	0.0	30.9	21.3
Other current liabilities	860.3	576.6	296.6	177.9
Total Current Liabilities	8,508.3	10,867.0	7,529.1	6,628.7
Noncurrent accrued rent	217.6	318.0	507.6	663.0
Retirement benefits liability	2.8	17.3	39.2	76.4
Total Noncurrent Liabilities	220.4	335.3	546.8	739.3
Total Liabilities	8,728.7	11,202.3	8,075.9	7,368.0
Capital stock	796.1	796.1	1,450.0	7,168.8
Retained earnings	338.0	469.5	597.8	2,142.8
Total Equity	1,134.1	1,265.5	2,047.8	9,311.6
Total Liabilities and Equity	9,862.8	12,467.9	10,123.7	16,679.7

Liabilities for the periods.

As of December 31, 2010 and December 31, 2011 the Company's net current assets were Php2,113.1 million and Php820.1 million. The deficit in 2010 was caused by the short-term bank loans drawn to replenish the working capital used for the expansion. The payment of these loans in 2011 caused the improvement of the working capital position in 2011. The IPO proceeds were used to pay off these bank loans.

Current Assets

The Company's current assets consist of Cash and Cash equivalents, investments in trading securities, receivables, merchandise inventory, amounts due from related parties, prepaid expenses and other current assets. Total current assets as of December 31, 2008, December 31, 2009, December 31, 2010 and December 31, 2011 were Php7,968.8 million (or 80.8% of total assets), Php9,915.7 million (or 79.5% of total assets), Php5,415.9 million (or 53.5% of total assets) and Php7,448.9 million (or 44.7% of total assets) respectively. As of December 31, 2010, merchandise inventory was Php 2,934.3 million (or 29% of total assets), with cash and cash equivalents amounting to Php1,837.9 million (or 18.2% of total assets). As of December 31, 2011, merchandise inventory was Php4,522.9 million (27.1% of total assets), with cash and cash equivalents amounting to Php1,955.2 million (or 11.7% of total assets).

Current Liabilities and Provisions

The company's current liabilities consists of loans payable, accounts payable and accrued expenses, amounts due to related parties, income tax payable, trust receipts payable and other current liabilities. As of December 31, 2008, December 31, 2009, December 31, 2010 and December 31, 2011, current liabilities were Php8,508.3 million (or 86.3% of total assets), Php10,867.0 million (or 87.2% of total assets), Php7,529.1 million (or 74.4% of total assets) and Php6,628.7 million (or 39.7% of total assets) respectively and consisted primarily of payables to the Company's suppliers.

Cash Flows

The following table sets forth information from the Company's statements of cash flows for the periods indicated.

	2009	2010	2011
Net cash from operating activities	809.0	1,102.4	1,357.9
Net cash used in investing activities	(2,999.4)	3,616.6	(4,867.1)
Net cash from (used in) financing activities	2,101.8	(4,017.2)	3,626.5)
Net increase (decrease) in cash and cash equivalents	**(88.5)**	**701.8**	**(117.2)**

Cash flow from (used in) operating activities

Net cash from operating activities of Php809.0 million in 2009, Php1,102.4 million in 2010 and Php1,357.9 in 2011 are mainly coming from operations. Additionally, in 2011 the Company recorded a non-recurring gain from insurance claim of Php27.3 million and loss on pre-termination of lease contract of Php9.0 million.

Cash flow from (used in) investing activities

Store expansion, primarily the construction of six buildings in 2008, one building in 2009, and four buildings in 2010, comprised the majority of the Company's investing activities. Net cash used in 2010 was also primarily to acquire land and equipment for additional store openings, as well as for construction and leasehold improvements on acquired and existing properties. In the first six months of 2011, the increase in net cash used in investing activities was due to the additions to property and equipment for the opening of new stores as well as related security deposit payments made to the lessors for these stores, as well as the renovation of older existing stores. In 2010, the Company collected a non-recurring amount of Php6,004.2 million from a related party.

Cash flow from (used in) financing activities

Net cash from financing activities Php2,101.8 million in 2009 which is largely coming from the proceeds of bank loan to replenish the working capital used in the expansion. In 2010, net cash used in financing activities was Php4,017 million in 2010 Php4,021.9 of which was used to pay bank loan. In 2011, the Company used Php2,092.3 million to pay bank loans. Additionally, Php5,718.9 are generated from the issuance of new shares, largely from IPO.

Capital Expenditures

The table below sets out the Company's capital expenditures in 2009, 2010 and 2011.

	For the years ended December 31,		
	2009	2010	2011
(₱ millions)			
Store and office equipment	220	652	601
Furniture and fixtures	93	301	224
Leasehold improvements	67	409	564
Building	146	735	383
Land	—	20	340
Construction in progress	344	153	227
Total	870	2,270	2,338

The Company has historically sourced funding for capital expenditures through working capital derived from operating income. Capital expenditures for the year 2010 were primarily sourced from bank loans. For 2011, capital expenditures for the Company was funded by the internally generated funds and from the net proceeds from the Primary Offer.

Off-Balance Sheet Arrangements

The Company was not a financial guarantor of obligations of any unconsolidated entity, and the Company was not aparty to any off-balance sheet obligations or arrangements.

Quantitative and qualitative disclosure of market risk

The Company's principal financial instruments consist of cash and cash equivalents, investments in trading securities, receivables, available-for-sale investments and security deposits. The main purpose of these financial instruments is to finance the Company's operations and capital expenditures. The Company has various other financial assets and liabilities, such as trade receivables and payables, which arise directly from its operations. The Company does not enter into hedging transactions or engage in speculation with respect to financial instruments. The Company believes that the principal risks arising from its financial instruments are credit risk, liquidity risk and interest rate risk.

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.

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.

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 and short-term loans. Cash deposits and short-term loans with variable rates expose the Group to cash flow interest rate risk.

E. MARKET PRICE, HOLDERS AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) Market Information

Principal market where the registrant's common equity is traded

Since its listing on October 5, 2011, the following table shows the high and low prices (in PHP) of Puregold Price Club, Inc.'s shares in the Philippine Stock Exchange for the year 2011:

	High	Low
October 2011	12.50	10.68
November 2011	17.10	12.26
December 2011	18.90	14.98

Source: Daily Quotation Reports of the Philippine Stock Exchange

The market capitalization of the Company's common shares as of end-2011, based on the closing price of Php17.88 per share, was approximately Php 35.76 billion.

(2) **Holders**

There are approximately 6 registered holders of common shares as of December 31, 2011 owning atleast one board lot per 100 share (based on number of accounts registered with the Stock Transfer Agent).

The following are the top 20 registered holders of the Company's securities:

	Stockholder name	Number of common shares	Percentage to total
1	MBTC – Trust Banking Group	1,215,552,099	60.78
2	The HSBC Clients' Accounts	355,582,622	17.78
3	BDO Securities Corporation	105,262,201	5.26
4	Deutsche Bank – Manila Clients' Account	85,920,700	4.30
5	Citibank N. A.	73,432,000	3.67
6	AnsaldoGodinez& Co., Inc.	68,263,600	3.41
7	Standard Chartered Bank	39,613,087	1.98
8	First Metro Securities Brokerage Corp.	6,794,700	0.34

9	The HSBC Clients' Accounts	6,366,100	0.32
10	Citiseconline.com, Inc.	5,630,000	0.28
11	MBTC – TBG AS IM FOR GSIS	4,508,900	0.23
12	United Coconut Planters Bank – Trust Banking	4,428,700	0.22
13	Banco de Oro – Trust Banking Group	3,063,900	0.15
14	Pru Life Insurance Corp. of U K – Linked Fund	2,914,800	0.15
15	GeneraliPilipinas Life Assurance Company - GF	2,083,700	0.10
16	H. E. Bennett Securities, Inc.	1,516,000	0.08
17	Asiasec Equities, Inc.	1,501,000	0.08
18	BA Securities, Inc.	1,400,000	0.07
19	PNB Securities, Inc.	1,265,500	0.06
20	Wealth Securities, Inc.	1,258,200	0.06

Shareholder Structure of the Company before and after the acquisition of Kareila

	Before the transaction		After the transaction	
Stockholders	Number of shares	% ownership	Number of shares	% ownership
Lucio L. Co	724,376,802	36.2188%	1,030,939,301.82	37.2664%
Susan P. Co	539,691,310	26.9846%	846,253,809.77	30.5904%
Ferdinand Vincent P. Co	33,686,354	1.6843%	110,326,753.80	3.9881%
Pamela Justine P. Co	33,686,354	1.6843%	110,326,753.80	3.9881%
Camille Clarisse P. Co	33,686,354	1.6843%	33,686,354	1.2177%
Leonardo B. Dayao	739,925	0.0370%	739,925	0.0267%
Marilyn V. Pardo	1	0.0000%	1	0.0000%
Edgardo G. Lacson	1	0.0000%	1	0.0000%
Anthony G. Sy	-	-	450	0.0000%
Public	634,132,900	31.7066%	634,132,900	22.9226%
Totals	2,000,000,000	100.0000%	2,766,406,250	100.0000%

	Before the transaction	After the transaction
Authorized Capital Stock	PhP3,000,000,000	PhP3,000,000,000
Capital Stock	3,000,000,000	3,000,000,000
Subscribed	2,000,000,000	2,766,406,250
Issued and Outstanding Shares	2,000,000,000	2,766,406,250
Par Value per share	PhP1.00	PhP1.00
PGOLD's public float	31.7066%	22.9226%

(3) **Dividends**

There were no dividend declarations during 2011.

(4) ***Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction***

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

F. LEGAL PROCEEDINGS

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

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

G. COMPLIANCE WITH THE CORPORATION'S MANUAL ON GOOD CORPORATE GOVERNANCE

The Company has adopted its own Revised Manual on Corporate Governance and submitted it to Securities and Exchange Commission and Philippine Stock Exchange in compliance with SEC Memorandum Circular No. 6 Series of 2009.

The Board appointed Atty. Candy H. Dacanay-Datuon as Company's Compliance Officer. Her duty is to make sure that the Company comply with the provisions of its Manual on Corporate Governance and other rules and regulations issued by Securities and Exchange Commission and Philippine Stock Exchange.

The Company has exerted its best efforts to comply with the provisions in its Revised Manual on Corporate Governance. The following steps have been undertaken to ensure that the leading practices on good governance are observed:

- All members of the Board were required to attend Corporate Governance Seminar conducted by duly authorized seminar provider;

- The attendance of each of the Directors in the scheduled meetings of the Board of Directors are monitored and recorded;

- The Board has created three (3) Board Committees required by the Manual namely, Audit Committee, Nomination Committee and Compensation Committee;

- As of 17 February 2012, an Audit Committee Charter has already been approved by the Board and is now in effect;

- Charter for the Nomination Committee and Compensation Committee are now being developed and to be reviewed by the Board for approval and implementation;

As of this date, there are no deviations from the Manual of Corporate Governance neither any officer/director has been involved nor any sanction/s has been imposed in violation of the Manual as will be stated in 2011 Corporate Governance Scorecard to be submitted to SEC & PSE on or before 31 March 2012.

Continuous education and seminar will be conduced to the members of the Board as well as the Senior Management Team in order to improve the Company's adherence to leading practices in good corporate governance.

ANNEX "C"

Summary of Relevant Resolutions Approved by the Board of Directors
(10 May 2011 to 7 May 2012)

18 July 2011 BOD Meeting

The Board approved the motion to authorize the management of the Company to publicly offer up to 500,000 common shares of the Company and up to 100,000 common shares of the Company owned by Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co, and Pamela Justine P. Co subject to the registration requirements of the Securities and Exchange Commission with BDO Capital and First Metro Investment Corporation as domestic underwriters and HSBC and UBS AG as International Lead Managers.

3 October 2011 BOD Meeting

The Board appointed Banco De Oro Unibank, Inc. – Trust and Investment Group as its Stock Transfer Agent effective 1 December 2011.

25 November 2011 BOD Meeting

In compliance with the Revised Manual on Corporate Governance adopted by the Company, the Board approved the constitution of Executive Committee, Audit Committee, Nomination Committee and Compensation Committee. It also appointed the following as members thereof:

Executive Committee:
Lucio L. Co – Chairman and Director
Susan P. Co – Vice Chair, Treasurer and Director
Leonardo B. Dayao – President and Director
Ferdinand Vincent P. Co – Director
Aida De Guzman – Senior Vice President as ex officio member
NicyCarolino – Vice President for Administration as ex officio member
ErlindaOrro – Financial Comptroller as ex officio member

Audit Committee:
Edgardo G. Lacson, Chair
Lucio L. Co, Member
Susan P. Co, Member
Leonardo B. Dayao, Member
ErlindaOrro, Ex Officio Member
Anabelle S.J. Kahiwat, Ex Officio Member

Nomination Committee:
Susan P. Co, Chair
Marilyn V. Pardo, Member
Lucio L. Co, Member
Leonardo B. Dayao, Member
Aida De Guzman, Ex Officio Member

Compensation Committee:
Lucio L. Co, Chair
Marilyn V. Pardo, Member
Leonardo B. Dayao, Member
Elvira D. Gutierrez, Ex Officio Member

To efficiently address all immediate concerns in the day to day operation of the Company, the Board delegated to the Executive Committee authority to act on all matters within the jurisdiction of the Board except those matters specifically required by law tobe passed upon by the Board.

The Board also appointed Atty. Candy H. Dacanay-Datuon as Compliance Officer and Assistant Corporate Secretary of the Company. Her main duty includes ensuring Company's compliance with the Manual on Corporate Governance and observance to best practices of good governance.

To make sure all investors are well aware of the developments in the Company, the Board engaged the services of Mr. Jimmy Perez as Investor Relations Officer.

17 February 2012 BOD Meeting

Upon recommendation of the Audit Committee, the Board approved the Consolidated and Separate Audited Financial Statements of Puregold Price Club, Inc. and Puregold Junior Supermarket, Inc. as of December 2011. The same were audited by External Auditor, Manabat&Sanagustin, KPMG.

During the same meeting, the Board also authorized the management to establish a Stock Option Plan to be availed by its officers whereby the officers can claim special discount on the shares of the Company deductible from the salary of the officers within the period of 4 years.

A retirement plan was likewise approved by the Board. Qualified retirees will be entitled to 22.50 pay days as retirement benefit per year of service.

The Board also approved the Audit Committee Charter upon recommendation of the Audit Committee.

27 March 2012 Board Meeting

Acquisition of shares of stocks of Kareila Management Corporation (Kareila) - Subject to securing the appropriate consents and approvals, the Corporation shall issue 766,406,250 common shares from the Corporation's authorized but unissued capital stock at a price of Php21.50 each (based on the last trading price of the share of the Corporation as of 26 March 2012) for an implied equity value of approximately Php16.5 Billion, or at a ratio of 450 shares of the Corporation to every 1 share of Kareila, to Co Family in exchange for the Co Family's common shares of Kareila representing 100% of Kareila's outstanding capital stock.

Kareila is the operator of S&R Membership Shopping.

This transaction shall be submitted for approval of the Stockholders during the Annual Meeting of the Corporation's Stockholders scheduled on 8 May 2012.

Adoption of Dividend Policy - The Corporation approved the following dividend policy:

> The Company will allocate up to 10% of its unrestricted retained earnings of the previous year for dividends, cash or stock, after taking into account various factors, including: the level of cash earnings, return on equity and retained earnings; its results for, and its financial condition at the end of, the year in respect of which the dividend is to be paid and its expected financial performance; the projected levels of capital expenditure and other investment plans; restrictions of payment of dividends that may be imposed on it by any of its financing arrangements and current and prospective debt service requirements; and such other factors as the Board deems appropriate.
>
> In any event, there can be no guarantee that the Company will pay any dividends in the future, even when it currently expects to retain future earnings for use in the operation and expansion of its business. The manner and date of payment thereof shall be determined by the Board.

Nomination of the following as Directors for year 2012 – Upon recommendation made by the Nomination Committee, the Board approved the Nomination of Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co, Pamela Justine P. Co, Leonardo B. Dayao as Directors and Marilyn V. Pardo and Edgardo G. Lacson as Independent Directors of the Corporation for the year 2012.

The said nominees have accepted their nomination and will be endorsed for the election of the Stockholders during the Annual Meeting on 8 May 2012.

Engagement of Manabat Sanagustin & Co, KPMG as External Auditor for the year 2012 - The Board approved the recommendation of the Audit Committee to engage the services of Manabat Sanagustin & Co, KPMG, as External Auditor of the Corporation for the year 2012.

In compliance with with SRC Rule 68, (3), (b), (iv) where it states that changes should be made in assignment of external auditor or assigned partner atleast every five (5) years, Mr. Arthur Machacon will be the new partner-in-charge of KPMG to handle the account of the Corporation.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011, 2010 and 2009

PUREGOLD PRICE CLUB, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Puregold Price Club, Inc. and Subsidiary** (the Group), is responsible for the preparation and fair presentation of the financial statements as at and for the years ended **December 31, 2011 and 2010**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

LUCIO CO
Chairman

LEONARDO B. DAYAO
President

SUSAN P. CO
Vice Chairman and Treasurer

Signed this 17th day of February 2012

SUBSCRIBED AND SWORN to before me, this FEB 17 2012 day of ________ 2012 at MANILA affiants exhibited to me their Tax Identification Numbers Lucio Co 108-975-971, Susan Co 100-053-331 and Leonardo Dayao 135-546-815.

Doc No. 77
Page No. 16
Book No. 34
Series of 2012

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC-CITY OF MANILA
ADMIN. NO. 2011-009 UNTIL DEC. 31 2012
ROLL NO. 54899
IBP NO. 864212/12-28-2011 MANILA
PTR NO. MLA. 0314224/12-19-2011 MANILA
MCLE COMPLIANCE NO. III-0016308

Manabat Sanagustin & Co., CPAs
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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Puregold Price Club, Inc. and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, 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, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Puregold Price Club, Inc. and Subsidiary as at December 31, 2011 and 2010, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO., CPAs

ADOR C. MEJIA
Partner
CPA License No. 0029620
SEC Accreditation No. 0464-AR-1, Group A, Valid until March 17, 2013
Tax Identification No. 112-071-634
BIR Accreditation No. 08-001987-10-2010
Issued June 30, 2010; Valid until June 29, 2013
PTR No. 3174020MA
Issued January 2, 2012 at Makati City

February 17, 2012
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISION

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

We have audited the accompanying consolidated financial statements of Puregold Price Club, Inc. and Subsidiary as at and for the year ended December 31, 2011, on which we have rendered our report thereon dated February 17, 2012.

In compliance with Securities Regulation Code Rule 68, we are stating that the said Company has a total number of eight (8) stockholders owning one hundred (100) or more shares each.

MANABAT SANAGUSTIN & CO., CPAs

ADOR C. MEJIA
Partner
CPA License No. 0029620
SEC Accreditation No. 0464-AR-1, Group A, Valid until March 17, 2013
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Issued January 2, 2012 at Makati City

February 17, 2012
Makati City, Metro Manila

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

		December 31	
	Note	**2011**	2010
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 27, 28*	**P1,955,167,541**	P1,837,943,774
Investments in trading securities	*7, 27, 28*	**24,000,214**	23,792,400
Receivables - net	*5, 27, 28*	**410,357,431**	241,580,625
Merchandise inventory	*6*	**4,522,929,063**	2,934,251,679
Prepaid expenses and other current assets	*8*	**536,409,934**	378,343,613
Total Current Assets		**7,448,864,183**	5,415,912,091
Noncurrent Assets			
Property and equipment - net	*9*	**6,005,557,739**	4,145,507,632
Deferred tax assets	*23*	**220,139,294**	165,286,533
Other noncurrent assets	*10, 15, 27, 28*	**3,005,115,075**	397,011,879
Total Noncurrent Assets		**9,230,812,108**	4,707,806,044
		P16,679,676,291	P10,123,718,135
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*11, 27, 28*	**P6,234,585,807**	P5,006,982,756
Loans payable	*12, 27, 28*	**-**	2,092,330,000
Income tax payable		**186,076,234**	102,181,682
Trust receipts payable	*27, 28*	**21,299,667**	30,932,358
Due to a related party	*21, 27, 28*	**8,855,584**	-
Other current liabilities	*13, 27, 28*	**177,912,643**	296,627,690
Total Current Liabilities		**6,628,729,935**	7,529,054,486
Noncurrent Liabilities			
Noncurrent accrued rent	*23, 27, 28*	**662,950,406**	507,609,692
Retirement benefits liability	*22*	**76,356,980**	39,231,522
Total Noncurrent Liabilities		**739,307,386**	546,841,214
Total Liabilities		**7,368,037,321**	8,075,895,700
Equity			
Capital stock	*24*	**2,000,000,000**	1,450,000,000
Additional paid in capital	*24*	**5,168,821,728**	-
Retained earnings	*24*	**2,142,817,242**	597,822,435
Total Equity		**9,311,638,970**	2,047,822,435
		P16,679,676,291	P10,123,718,135

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2011**	2010	2009*
NET SALES				
Gross sales		**P39,051,675,728**	P29,154,992,228	P24,150,770,546
Sales discount		**63,792,323**	46,987,772	38,379,188
		38,987,883,405	29,108,004,456	24,112,391,358
COST OF SALES	*14*	**33,453,130,008**	25,577,007,998	21,893,011,892
GROSS PROFIT		**5,534,753,397**	3,530,996,458	2,219,379,466
OTHER OPERATING INCOME	*16*	**1,051,883,532**	780,668,193	785,285,921
		6,586,636,929	4,311,664,651	3,004,665,387
OPERATING EXPENSES				
Selling	*17*	**3,568,065,569**	2,695,637,123	2,082,335,551
General and administrative	*18*	**381,489,664**	261,167,553	182,649,963
Other operating expenses	*19*	**421,216,988**	369,524,978	281,494,178
		4,370,772,221	3,326,329,654	2,546,479,692
INCOME FROM OPERATIONS		**2,215,864,708**	985,334,997	458,185,695
OTHERS EXPENSES (INCOME)				
Finance cost	*12*	**65,028,007**	220,264,174	290,193,291
Others	*20*	**(53,870,846)**	22,119,639	(20,906,114)
		11,157,161	242,383,813	269,287,177
INCOME BEFORE INCOME TAX		**2,204,707,547**	742,951,184	188,898,518
INCOME TAX EXPENSE	*23*			
Current		**714,565,502**	287,772,592	91,946,742
Deferred		**(54,852,762)**	(55,190,037)	(34,474,157)
		659,712,740	232,582,555	57,472,585
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P1,544,994,807**	P510,368,629	P131,425,933
EARNINGS PER SHARE	*26*			
Basic earnings per share		**P0.97**	P0.40	P0.11
Diluted earnings per share		**P0.97**	P0.40	P0.11

*This does not include information for Subsidiary acquired in July 2010, see Note 1 to the consolidated financial statements.

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2011**	2010	2009*
CAPITAL STOCK - P1 par value	*24*			
Authorized - 3,000,000,000 shares				
Issued and outstanding - 2,000,000,000 shares in 2011 (1,450,000,000 shares in 2010)				
Balance at beginning of year		**P1,450,000,000**	P -	P -
Stock issuances during the year - 550,000,000 shares in 2011 (1,068,000,000 shares in 2010)		**550,000,000**	1,068,000,000	-
Stock dividends issuance during the year - 382,000,000 shares in 2010		**-**	382,000,000	-
Balance at end of year		**2,000,000,000**	1,450,000,000	-
Subscribed - nil shares in 2011 and 2010 (796,081,168 shares in 2009)				
Balance at beginning of year		**-**	796,081,168	796,081,168
Subscriptions during the year		**50,000,000**	271,918,832	-
Stock issuances during the year		**(50,000,000)**	(1,068,000,000)	-
Balance at end of year		**-**	-	796,081,168
		2,000,000,000	1,450,000,000	796,081,168
ADDITIONAL PAID-IN CAPITAL	*24*	**5,168,821,728**	-	-
RETAINED EARNINGS				
Balance at beginning of year		**597,822,435**	469,453,806	338,027,873
Stock dividends declared and issued	*24*	**-**	(382,000,000)	-
Net income for the year		**1,544,994,807**	510,368,629	131,425,933
Balance at end of year		**2,142,817,242**	597,822,435	469,453,806
		P9,311,638,970	P2,047,822,435	P1,265,534,974

*This does not include information for Subsidiary acquired in July 2010, see Note 1 to the consolidated financial statements.

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2011**	2010	2009*
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P2,204,707,547**	P742,951,184	P188,898,518
Adjustments for:				
Depreciation and amortization	*9, 17*	**456,974,253**	278,952,394	296,511,665
Interest expense	*12*	**65,028,007**	220,264,174	290,193,291
Accrued rent		**155,340,714**	189,643,254	100,334,210
Retirement benefits cost	*18, 22*	**37,125,458**	21,898,859	14,565,064
Loss on pretermination of lease contract	*19*	**9,000,000**	-	-
Impairment losses on receivables	*5, 18*	**1,407,884**	2,204,133	14,585
Unrealized valuation gain in trading securities	*7, 20*	**(195,314)**	(11,273,300)	(5,452,566)
Loss (gain) on disposal of property and equipment	*20*	**(369,118)**	2,619,632	(4,400,198)
Dividend income	*20*	**(866,750)**	(565,429)	(938,841)
Interest income	*20*	**(25,143,153)**	(2,136,283)	(2,360,946)
Loss on sale of investments in trading securities	*20*	**-**	-	1,172,472
Gain on insurance claim	*20*	**(27,296,511)**	-	(8,926,035)
Loss on goodwill writen-off	*20*	**-**	33,475,019	-
Operating income before changes in working capital		**2,875,713,017**	1,478,033,637	869,611,219
(Increase) decrease in:				
Investments in trading securities		**(12,500)**	(261,600)	(8,078,654)
Receivables		**(200,306,859)**	285,327,031	163,778,955
Merchandise inventory		**(1,588,677,384)**	(1,029,980,174)	(3,188,545)
Prepaid expenses and other current assets		**(153,572,870)**	(237,795,188)	(133,003,040)
Increase (decrease) in:				
Accounts payable and accrued expenses		**1,218,023,376**	1,225,026,249	537,226,866
Trust receipts payable		**(9,632,691)**	30,932,358	-
Other current liabilities		**(118,715,047)**	(258,311,018)	(283,694,084)
Due to a related party	*21*	**8,855,584**	-	-
Cash generated from operations		**2,031,674,626**	1,492,971,295	1,142,652,717
Interest received		**25,143,153**	2,136,283	2,360,946
Interest paid		**(68,271,987)**	(230,173,533)	(290,183,805)
Income taxes paid		**(630,670,950)**	(162,555,958)	(45,792,611)
Net cash provided by operating activities		**1,357,874,842**	1,102,378,087	809,037,247

Forward

		Years Ended December 31		
	Note	**2011**	2010	2009*
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*9*	**(P2,324,912,307)**	(P2,265,607,339)	(P870,462,718)
Increase in other noncurrent assets		**(2,617,103,196)**	(129,689,874)	(45,334,861)
Due from related parties	*21*	**-**	6,004,172,786	(2,105,353,885)
Dividends received		**866,750**	565,429	938,841
Proceeds from sale of investments in trading securities		**-**	-	7,466,348
Proceeds from insurance claim		**57,418,680**	-	8,926,035
Proceeds from disposal of property and equipment		**16,587,270**	7,168,026	4,400,198
Net cash provided by (used in) investing activities		**(4,867,142,803)**	3,616,609,028	(2,999,420,042)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (payments of) loans payable		**(2,092,330,000)**	(4,021,880,500)	1,872,900,000
Proceeds from issuance and subscriptions of capital stock		**5,718,821,728**	388,150,680	-
Increase (decrease) in due to related parties		**-**	(383,450,036)	228,940,678
Net cash provided by (used in) financing activities		**3,626,491,728**	(4,017,179,856)	2,101,840,678
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**117,223,767**	701,807,259	(88,542,117)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**1,837,943,774**	1,136,136,515	1,224,678,632
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P1,955,167,541**	P1,837,943,774	P1,136,136,515

*This does not include information for Subsidiary acquired in July 2010, see Note 1 to the consolidated financial statements.

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

Puregold Price Club, Inc. was incorporated and registered with the Securities and Exchange Commission (SEC) on September 8, 1998 to engage in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis.

The consolidated financial statements relate to Puregold Price Club, Inc. (the "Company") and Puregold Junior Supermarket, Inc. (the "Subsidiary") collectively referred to as the "Group".

The Subsidiary was incorporated and registered with the SEC on July 24, 2008. It is primarily involved in the same industry and business to which the Company is in.

The Subsidiary is controlled by the Company which owns 100% of its issued shares of stock. The Company, on the other hand, is owned by individuals. The Company acquired the Subsidiary in July 2010.

The Group's registered office is located at 900 Romualdez St., Paco Manila.

Initial Public Offering (IPO)

On July 18, 2011, the Board of Directors (BOD) of the Company approved the resolution for the IPO of up to 690 million common shares with a par value of P1.00 per share subject to the registration requirement of the SEC and the Philippine Stock Exchange (PSE).

On July 20, 2011, the Company filed an application for listing the common shares with the PSE. On December 10, 2010, the Company filed the registration statement together with the preliminary prospectus with the SEC and on August 24, 2011, the PSE approved the application of the Company for the initial listing of 600 million common shares.

On September 22, 2011, the SEC approved the Company's registration statement. The listing ceremony was held on October 5, 2011 (the Listing date). The Company's stock symbol, PGOLD, officially entered into the electronic board of PSE marking the start of the public trading of the Company's common stock through the stock market.

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements of the Group as of and for the year December 31, 2011 were approved for issuance by management on February 17, 2012, as authorized by the Board of Directors on the same date.

Basis of Measurement
The Group's consolidated financial statements have been prepared on the historical cost basis of accounting, except for investments in trading securities and available-for-sale financial assets which are measured at fair value.

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

Basis of Consolidation
A subsidiary is an entity controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of the Subsidiary are included in the consolidated financial statements from the date that control commences until the date such control ceases.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intragroup balances and transactions between entities were eliminated.

Use of Estimates and Judgments
The Group's consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect 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:

Determination of Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company operates and the currency that mainly influences its revenue and expenses.

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 on these properties which are leased out under operating lease arrangements.

Rent expenses recognized in profit or loss amounted to P793.15 million, P701.68 million, P519.47 million for the years ended December 31, 2011, 2010 and 2009, respectively (see Notes 15 and 17).

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 on these properties which are leased out under operating lease arrangements.

Rent income recognized in profit or loss amounted to P179.28 million, P133.20 million and P145.40 million for the years ended December 31, 2011, 2010 and 2009, respectively (see Notes 15 and 16).

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

Estimating Allowance for Impairment Losses on Receivables and Other Current Assets. 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 collectibility 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 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 P5.52 million and P4.11 million as of December 31, 2011 and 2010, respectively. The carrying value of receivables amounted to P410.36 million and P241.58 million as of December 31, 2011 and 2010, respectively (see Note 5). On the input value added tax, management believes that it is fully realizable; hence, no allowance for impairment losses has been recognized.

Estimating Net Realizable Value (NRV) of Merchandise Inventory. The Group carries merchandise inventory at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (i.e., pretermination of contracts). The estimate of the NRV is reviewed regularly.

The carrying amount of inventory amounted to P4,522.93 million and P2,934.25 million as at December 31, 2011 and 2010 (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.

Accumulated depreciation of property and equipment amounted to P1,363.53 million and P916.18 million as of December 31, 2011 and 2010, respectively. Property and equipment, net of accumulated depreciation, amounted to P6,005.56 million and P4,145.51 million as of December 31, 2011 and 2010, respectively (see Note 9).

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

Deferred tax assets-net amounted to P220.14 million and P165.29 million as of December 31, 2011 and 2010, respectively (see Note 23).

Impairment of Non-Financial Assets. PFRS require that an impairment review be performed on non-financial assets other than merchandise inventory and deferred tax assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the financial performance.

There were no impairment losses of property and equipment and other non-financial assets recognized as of December 31, 2011, 2010 and 2009.

Retirement Benefits. 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. In accordance with PFRS, actual results that differ from the assumptions, subject to the 10% corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Group has a net cumulative unrecognized actuarial losses amounting to P68.22 million and P47.81 million as of December 31, 2011 and 2010, respectively. Retirement benefits liability amounted to P76.36 million and P39.23 million as of December 31, 2011 and 2010, 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 changes in accounting policies as explained below.

Adoption of New and Revised Standards, Amendments to Standards and Interpretations
The Financial Reporting Standards Council approved the adoption of a number of new and revised standards, amendments to standards, and interpretations as part of PFRS.

Revised Standard, Amendments to Standards and Interpretation Adopted in 2011
The Group has adopted the following PFRS starting January 1, 2011 and accordingly has changed its accounts policies in the following areas:

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011.

- *Prepayments of a Minimum Funding Requirement (Amendments to Philippine Interpretation IFRIC-14: PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction).* These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. The amendments are effective for annual periods beginning on or after January 1, 2011.

- *Improvements to PFRS 2010* contain 11 amendments to six standards and to one interpretation. The amendments are generally effective for annual periods beginning on or after January 1, 2011. The following are the said improvements or amendments to PFRS.

  - PAS 27, *Consolidated and Separate Financial Statements*. The amendments clarify that the consequential amendments to PAS 21 *The Effects of Changes in Foreign Exchange Rates*, PAS 28 *Investments in Associates* and PAS 31 *Interests in Joint Ventures* resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendments are effective for annual periods beginning on or after July 1, 2010. Early application is permitted.

  - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011. Early application is permitted and is required to be disclosed.

  - PAS 1, *Presentation of Financial Statements*. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011.

- PAS 34, *Interim Financial Reporting*. The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*. The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendments are effective for annual periods beginning on or after January 1, 2011. Early application is permitted and is required to be disclosed.

The adoption of the above revised standard, amendments to standards and interpretation did not have a material effect to the Group's consolidated financial statements.

New and Revised Standards, Amendments to Standards and Interpretation Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for PFRS 9, *Financial Instruments*, which becomes mandatory for the Group's 2015 consolidated financial statement and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

The Group will adopt the following new standard and amendments to standards in the respective effective dates:

To be Adopted on January 1, 2012

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Earlier application is permitted. Entities are not required to provide the disclosures for any period that begins prior to July 1, 2011.

- *Deferred Tax: Recovery of Underlying Assets (Amendments to PAS 12)* introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40 Investment Property. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3 *Business Combinations* provided the acquirer subsequently measure these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation SIC-21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into PAS 12, and as a result Philippine Interpretation SIC-21 has been withdrawn. The effective date of the amendments is for periods beginning on or after January 1, 2012 and is applied retrospectively. Early application is permitted.

To be Adopted on January 1, 2013

- *Presentation of Items of Other Comprehensive Income (Amendments to PAS 1).* The amendments: (a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and, (c) change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008) and Philippine Interpretation SIC-12 *Consolidation - Special Purpose Entities.*

- PFRS 12, *Disclosure of Interests in Other Entities.* PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.

- PFRS 13, *Fair Value Measurement*. PFRS 13 replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- PAS 19, *Employee Benefits* (amended 2011). The amended PAS 19 includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and, (b)expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- PAS 27, *Separate Financial Statements* (2011). PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- PFRS 9, *Financial Instruments*

  Standard Issued in November 2009 [PFRS 9 (2009)]
  PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply.

  Standard Issued in October 2010 [PFRS 9 (2010)]
  PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraph of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation IFRIC 9 *Reasssessment of Embedded Derivatives.*

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

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, which is the fair value of the consideration given or received. 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 of December 31, 2011 and 2010.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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. Derivative instrument (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

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 the fair values. Fair value changes and realized gains and losses are recognized as part of profit or loss. Any interest earned shall be recognized in profit and loss as part of "Other income (expenses)" account. Any dividend income from equity securities classified as FVPL shall be recognized in profit or loss when the right of payment has been established.

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

The carrying amount of financial assets under this category amounted to P24.00 million and P23.79 million as of December 31, 2011 and 2010, respectively (see Note 7).

Available-for-Sale Financial Assets. The Group's investments in equity securities and certain debt securities are classified as available-for-sale 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 available-for-sale 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 carrying amount of financial assets under this category amounted to P7,879,160 as of December 31, 2011 and 2010 (see Note 10).

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 or FVPL financial asset.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized in profit or loss as part of "Interest income" 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 10).

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 change in value.

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 rate 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 loans payable, accounts payable and accrued expenses, trust receipts payable and other current liabilities are included in this category (see Notes 11, 12 and 13).

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 gross in the consolidated statements of financial position.

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 of completion and the estimated costs necessary to make the sale.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation, amortization and impairment losses, if any.

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
Computer software	5 - 10
Furniture and fixtures	3 - 20
Office and store equipment	2 - 10
Leasehold improvements	15-20 years or term of the lease, whichever is shorter

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.

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.

Goodwill
Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

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

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

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. 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.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows from the asset discounted using the historical effective rate of return on the asset.

All impairment losses are recognized in profit or loss.

Nonfinancial Assets
Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount.

The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction less the costs to sell while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in profit or loss. However, the increase in the carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Retirement Costs
The Group has a nonfunded, noncontributory, defined benefit retirement plan covering all of its eligible employees. The plan provides for retirement benefits based on a certain percentage of the latest monthly salary of an employee per year of service.

The Group's net obligation in respect of its retirement obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted, if any. The discount rate is the yield at the reporting date of long-term government bonds that have maturity dates approximating the terms of the Group's plan. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognized in profit of loss when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the defined benefit obligation at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

When the benefits of the plan are improved, the portion of the increased benefit relating to the past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

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

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

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and discounts. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

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 and is presented at net.

Display allowance, rent income, listing fee, and miscellaneous income are recognized when earned.

Interest income which is presented net of final tax is recognized when earned.

Costs and expenses are recognized when incurred.

Borrowings and Borrowing Costs
All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after the reporting date.

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 Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

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

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

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

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

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

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

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

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

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

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

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

Leases

Group as Lessee

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

Group as Lessor

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

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

The Group determines and presents operating segments based on the information that is internally provided to the President, who is the Group's chief operating decision maker. The Group assessed that its retailing business represents one segment. Accordingly, the Group does not present segment information in these consolidated financial statements.

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 of 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.

Earnings Per Share

Basic earnings per share 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 earnings per share is also computed in the same manner as the aforementioned, except that, any outstanding options are further assumed to have been exercised at the beginning of the period.

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2011**	2010
Cash on hand		**P301,772,030**	P223,469,212
Cash in banks	*27*	**752,855,511**	609,041,861
Money market placements	*27*	**900,540,000**	1,005,432,701
	28	**P1,955,167,541**	P1,837,943,774

Cash in banks earn 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. Maturity dates of these investments average 30 days only with an annual interest of 3.65% to 3.82% in 2011 and 1.20% to 2.6% in 2010.

5. Receivables

This account consists of:

	Note	**2011**	2010
Trade receivables		**P345,859,641**	P212,431,809
Non-trade receivables		**70,019,565**	33,262,707
		415,879,206	245,694,516
Less allowance for impairment losses		**5,521,775**	4,113,891
	27, 28	**P410,357,431**	P241,580,625

Non-trade receivables represent amount due from suppliers for the rental, listing fee, display allowance and concession. This also includes advances to employees.

The aging of trade receivables as of December 31 is as follows:

	2011	2010
Current	**P181,489,610**	P131,920,653
Past due 1- 30 days	**137,182,511**	69,107,115
Past due 31- 60 days	**25,099,925**	7,282,330
More than 60 days	**2,087,595**	4,121,711
	P345,859,641	P212,431,809

Majority of trade receivables are credit card transactions. 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 P5,521,775 and P4,113,891 as of December 31, 2011 and 2010, respectively, all other receivables are collectible and therefore, no additional allowance is necessary.

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

	Note	2011	2010
Beginning balance		**P4,113,891**	P1,909,758
Impairment losses recognized during the year	*18*	**1,407,884**	2,204,133
Ending balance		**P5,521,775**	P4,113,891

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 basis.

Inventory cost at December 31, 2011, 2010 and 2009 is lower than NRV.

7. Investments in Trading Securities

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

The movements in investments in trading securities are as follows:

Cost	Note	2011	2010
Balance at beginning of the year		**P13,338,402**	P13,076,802
Additions during the year		**12,500**	261,600
Balance at end of the year		**13,350,902**	13,338,402
Valuation adjustments			
Balance at beginning of the year		**10,453,998**	(819,302)
Unrealized valuation gain on financial assets for the year	*20*	**195,314**	11,273,300
Balance at end of the period		**10,649,312**	10,453,998
	27, 28	**P24,000,214**	P23,792,400

8. Prepaid Expenses and Other Current Assets

This account at consists of:

	2011	2010
Prepaid expenses	**P180,290,688**	P97,530,828
Input value added tax (VAT) - net	**356,119,246**	280,812,785
	P536,409,934	P378,343,613

The details of prepaid expenses are as follows:

	2011	2010
Rent	**P103,045,134**	P44,076,514
Taxes and licenses	**26,516,695**	20,050,892
Insurance	**44,346,078**	30,156,554
Repairs and maintenance	**6,382,781**	-
Professional fee	**-**	3,246,868
	P180,290,688	P97,530,828

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

9. Property and Equipment

The movements and balances of this account consist of:

	Building	Computer Software	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost:								
Balance, January 1, 2010	P924,763,992	P79,412,596	P310,400,967	P821,745,105	P323,694,092	P -	P344,727,144	P2,804,743,896
Additions	734,536,699	18,097,461	301,030,522	633,540,168	408,966,114	19,518,315	152,528,948	2,268,218,227
Reclassification	255,128,049	-	-	-	89,599,095	-	(344,727,144)	-
Disposals	-	-	(2,467,541)	(8,803,651)	-	-	-	(11,271,192)
Balance, December 31, 2010	1,914,428,740	97,510,057	608,963,948	1,446,481,622	822,259,301	19,518,315	152,528,948	5,061,690,931
Additions	382,692,266	17,757,704	223,684,358	583,116,974	563,586,311	339,619,908	227,278,441	2,337,735,962
Reclassification	95,817,572	-	27,675,170	9,193,521	19,340,235	(10,132,417)	(141,894,081)	-
Disposals	-	-	(4,744,747)	(14,233,115)	(825,151)	-	-	(19,803,013)
Adjustments	(270,423)	-	(1,514,804)	(8,566,805)	(182,917)	-	-	(10,534,949)
Balance, December 31, 2011	**2,392,668,155**	**115,267,761**	**854,063,925**	**2,015,992,197**	**1,404,177,779**	**349,005,806**	**237,913,308**	**7,369,088,931**
Accumulated depreciation and amortization:								
Balance, January 1, 2010	67,157,155	36,633,938	79,435,986	336,238,861	119,248,499	-	-	638,714,439
Depreciation and amortization	58,105,427	5,451,650	57,170,109	152,932,540	5,292,668	-	-	278,952,394
Disposals	-	-	(199,646)	(1,283,888)	-	-	-	(1,483,534)
Balance, December 31, 2010	125,262,582	42,085,588	136,406,449	487,887,513	124,541,167			916,183,299
Depreciation and amortization	71,441,287	5,704,081	65,285,892	268,563,608	45,979,385	-	-	456,974,253
Reclassification	(2,707,986)	-	12,244,038	(2,491,094)	(7,044,958)	-	-	-
Disposals	-	-	(301,371)	(3,159,502)	(123,989)	-	-	(3,584,862)
Adjustments	(2,163)	-	(308,312)	(5,731,023)	-	-	-	(6,041,498)
Balance, December 31, 2011	**193,993,720**	**47,789,669**	**213,326,696**	**745,069,502**	**163,351,605**	**-**	**-**	**1,363,531,192**
Carrying amount:								
December 31, 2010	P1,789,166,158	P55,424,469	P472,557,499	P958,594,109	P697,718,134	P19,518,315	P152,528,948	P4,145,507,632
December 31, 2011	**P2,198,674,435**	**P67,478,092**	**P640,737,229**	**P1,270,922,695**	**P1,240,826,174**	**P349,005,806**	**P237,913,308**	**P6,005,557,739**

10. Other Noncurrent Assets

This account consists of:

	Note	2011	2010
Restricted cash and cash equivalents	*27, 28*	**P2,286,731,084**	P -
Security deposits	*15, 27, 28*	**567,262,531**	321,730,658
Noncurrent advance rent		**120,840,664**	56,031,940
Accrued rent income		**11,031,515**	-
Available-for-sale financial assets	*27, 28*	**7,879,160**	7,879,160
Goodwill		**11,370,121**	11,370,121
		P3,005,115,075	P397,011,879

Restricted cash and cash equivalents pertain to the proceeds from the Company's initial public offering which is restricted for capital expenditures.

Available-for-sale investments include PLDT and Meralco preferred shares acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Company.

The P11.37 million goodwill represents the excess of the total acquisition cost over the net amounts of the assets and liabilities assumed on the acquisition of the Subsidiary. This was computed as follows:

Acquisition cost	**P49,999,400**
Fair value of Subsidiary (June 30, 2010)	**38,629,279**
Goodwill	**P11,370,121**

11. Accounts Payable and Accrued Expenses

This account consists of:

	2011	2010
Trade	**P4,438,012,776**	P3,847,002,402
Nontrade	**825,159,587**	463,226,121
Accrued expenses		
Advances from concessionaires	**449,512,119**	351,133,691
Manpower agency services	**299,189,527**	180,971,249
Accrued utilities	**89,994,944**	56,979,847
Withholding taxes payable	**68,477,321**	50,186,719
Professional fees	**45,807,263**	4,245,000
Accrued fixed assets	**12,823,655**	2,610,888
Accrued rent	**4,035,783**	46,913,031
Accrued interest	**30,448**	3,274,428
Others	**1,542,384**	439,380
	P6,234,585,807	P5,006,982,756

Nontrade payables are liabilities of the Group with various suppliers which are individually immaterial.

12. Loans Payable

This account represents short-term loans obtained mainly to finance the Company's working capital requirements which bear annual interest rate of 3.50% to 3.75% in 2011 and 4.25 to 5.58% in 2010. A stockholder of the Company granted personal surety on these loans. The details of the loans are as follows:

	2011	2010
Metro Bank and Trust Company	P -	P1,175,530,000
Equitable PCI Bank	-	715,300,000
China Banking Corporation	-	201,500,000
	P -	P2,092,330,000

Interest expense recognized in profit or loss relating to the above loans amounted to P65,028,007, P220,264,174 and P290,193,291 for the years ended December 31, 2011, 2010 and 2009, respectively.

13. Other Current Liabilities

This account consists of:

	2011	2010
Deposits	**P90,497,575**	P56,470,249
Exclusive fund	**44,676,397**	16,377,133
Promotion fund	**27,640,556**	211,875,337
Gift cheques	**13,878,380**	10,229,700
Cashier's bond	**1,219,735**	1,072,674
Employees fund	-	602,597
	P177,912,643	P296,627,690

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

Exclusive fund is provided for the points redemption of "Tindahan ni Aling Puring" members. Points are earned upon purchase of participating items. Points may be used as payment of their purchases.

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

Cashier's bond pertains to the amount withheld from each cashier to compensate for any possible cash shortages in the store.

14. Cost of Sales

This account for the years ended December 31 consists of:

	Note	2011	2010	2009
Beginning inventory	*6*	**P2,934,251,679**	P1,904,271,505	P1,901,082,960
Add purchases		**35,041,807,392**	26,606,988,172	21,896,200,437
Total goods available for sale		**37,976,059,071**	28,511,259,677	23,797,283,397
Less ending inventory	*6*	**4,522,929,063**	2,934,251,679	1,904,271,505
		P33,453,130,008	P25,577,007,998	P21,893,011,892

15. Lease Agreements

Information on the Group's operating lease transactions are presented below:

Company as Lessee

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Litton & Co., Inc.	June 1, 2006	May 31, 2018	Puregold Shaw	Building	5% or the increase in the annual Consumer Price Index (CPI) from May 31 of the previous year to May 31 of the current year whichever is higher up to maximum of 10% to Area A and 15% to Area B while Area C is free of charge
Pajusco Realty Corporation	July 1, 2010	June 30, 2035	Puregold Tayuman	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year, 6% on the 21st to 25th year
Benz Oil Philippines. Inc.	April 19, 2000	April 18, 2022	Puregold Parañaque	Land	10% annually
Sps. Edgardo C. Rodriguez, Jr. and Juanita Bernabe Rodriguez	September 16, 2011	September 15, 2016	Puregold Parañaque	Land	5% annually
Sps. Mizael David Espiritu and Marilyn Espiritu	May 1, 2006	April 30, 2027	Puregold Parañaque	Land	5% every year beginning on the 7th year until the 6th month of the 14th year and 7.5% every year beginning on the 7th month of the 14th year until the 21st year
Cosco Prime Holdings, Inc.	July 1, 2010	May 2, 2028	Puregold Dau	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year & 5% on the 16th to 18th year
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Valenzuela	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year, 6% on the 21st to 25th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Las Piñas	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Cuevasville Realty and Dev't Corp.	January 1, 2004	March 31, 2019	Puregold Imus	Building	5% beginning on the 3rd to 6th year, 8% on the 7th to 10th year & 10% on the 11th to 15th year
Pointer Construction International Corp.	April 28, 2003	October 27, 2024	Puregold Makati	Land	5% from October 28, 2012 to October 27, 2019 & 7.5% from October 28, 2019 to October 27, 2024
One World Land and Properties Corp.	October 28, 2009	October 27, 2024	Puregold Makati	Land	5% from October 28, 2012 to October 27, 2019 & 7.5% from October 28, 2019 to October 27, 2024
Cosco Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Pasig	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
VFC Land Resources, Inc.	July 1, 2010	June 30, 2035	Puregold Biñan	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year, 6% on the 21st to 25th year
Bedrock Realty & Investment Corp.	April 21, 2004	April 20, 2019	Puregold Commonwealth	Land	5% beginning on the 3rd year & 8% beginning on the 11th to15th year
Bedrock Realty & Investment Corp.	August 1, 2010	April 20, 2019	Puregold Commonwealth	Parking area	5% beginning on the 2nd year onwards
RG Francisco Realty, Inc. and The Heirs of Avelino Francisco	July 1, 2005	December 31, 2037	Puregold Sta. Ana	Land	5% beginning on the 8th year & every two years thereafter
Cosco Prime Holdings, Inc.	June 1, 2011	May 31, 2036	Puregold Araneta	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Kalaw- Ledesma, Inc.	August 15, 2005	December 31, 2017	Puregold Malate	Building	5% every year beginning on the 2nd year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Manila Traffic and Parking Bureau	January 1, 2011	December 31, 2011	Puregold Malate	Parking area	No escalation.
First Landlink Asia Development Corporation	October 15, 2009	October 14, 2024	Puregold Libertad	Building	7% starting on October 15, 2010 & every 2 years thereafter
Pajusco Realty Corporation	July 1, 2010	June 30, 2035	Puregold Sucat	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Baliuag	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Cosco Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold QI central	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Cosco Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Taytay	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Roma Realty Corporation and I. S. Properties, Inc.	May 16, 2007	September 15, 2027	Puregold Meycauyan	Building	3% on the 8th year & every year thereafter
Bellagio Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Agora	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Caloocan	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Twins Realty & Properties Corporation	December 1, 2007	November 30, 2032	Puregold Malolos	Land	2% annually beginning on the 7th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Embarcadero Land Ventures, Inc.	October 25, 2011	July 24, 2032	Puregold Legaspi	Building	3% on the 4th & 5th years, 4% on the 6th & 7th years, 5% on the 8th, 9th & 10th years while the 11th to 20th year will be subject for adjustment taking into account the rental rate in the 10th year
Island Biscuit, Inc.	January 2, 2008	January 1, 2025	Puregold Zabarte	Land	5% beginning on the 4th year, 7.5% beginning on the 7th year & 10% beginning on the 11th year
Crownland Resources, Inc.	July 14, 2008	July 13, 2043	Puregold San Mateo	Land	3% annually starting on the 11th year, 5% annually starting on the 21st year & 10% annually starting on the 31st year
Cosco Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold GMA Cavite	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Bellville Development, Inc.	March 4, 2010	July 3, 2022	Puregold Alabang	Building	5% starting on the 2nd year up to the 5th year & 6% starting on the 6th year up to the 12th year
VSC Commercial Enterprises, Inc.	June 15, 2008	June 14, 2038	Puregold Sta. Mesa	Land	5% beginning on the 6th year & 7.5% beginning on the 21st year
Pajusco Realty Corporation	July 1, 2010	June 30, 2035	Puregold San Pablo	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Q Plaza Corporation	December 1, 2008	November 30, 2023	Puregold Cainta	Building	5% every year starting on the 5th year
Benisons Shopping Center, Inc.	November 25, 2009	February 24, 2025	Puregold Divisoria	Building	3% every year starting on the 4th year, 5% every year starting on the 7th year & 7% every year starting on the 11th year
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Bacoor	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 24th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Solar Plastic Corporation	March 20, 2009	March 19, 2034	Puregold Mindanao Ave.	Land	2% every year starting on the 4th year, 3% every year starting on the 6th year, 5% every year starting on the 11th year & 6% every year starting on the 17th year
KMC Realty Corp.	July 1, 2010	June 30, 2035	Puregold North Commonwealth	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Shaw Cinema, Inc	August 11, 2009	August 10, 2029	Puregold Novaliches	Building	3% beginning on the 5th year, 4% beginning on the 9th year, 5% beginning on the 13th year & 6% beginning on the 16th year
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Paco	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
VFC Land Resources, Inc.	December 1, 2011	November 30, 2036	Puregold Paso de Blas	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
San- An Realty Development Corp.	July 31, 2009	January 30, 2020	Puregold Baguio	Building	5% starting on the 6th year & every year thereafter
Pajusco Realty Corporation	July 1, 2010	June 30, 2034	Puregold Angeles	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 24th year
Sps. Jovencio S. Fojas Jr. and Lorraine T. Fojas; Sps. Edwin S. Fojas and Victoria M. Fojas; Sps. Macario S. Fojas and Adela S. Fojas and Maria Myrna S. Fojas; Priscilla N. Fojas and Sonia N. Fojas; Heirs of Felicidad Ner	July 23, 2009	July 22, 2034	Puregold Tanza	Land	3% beginning on the 4th year, 5% beginning on the 9th year & 7% beginning on the 14th year until the 25th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Tomas B. Dangan and Norma C. Dangan	January 27, 2010	January 26, 2035	Puregold Extra Apalit	Building	3% beginning on the 3rd year & 4% beginning on the 6th year until the 10th year; no escalation from the 11th to 15th year; P5,000 will be added to monthly rental from the 16th to 20th year and another P5,000 will be added from the 21st to 25th year.
Pajusco Realty Corporation	January 1, 2012	December 31, 2036	Puregold Taguig	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Sps. Reynaldo C. Tobias and Teresita A. Tobias; Domingo C. Cruz Jr.; Angelica Halili- Cruz	January 1, 2010	March 31, 2030	Puregold Sta Maria	Building	5% starting on the 3rd year & every 2 years thereafter
Henry Ho Uy	January 12, 2010	January 11, 2030	Puregold Calamba	Building	10% beginning on the 3rd year & every 2 years thereafter
Servic Trading and Hauling Services, Inc.	July 1, 2010	September 30, 2027	Puregold C. Raymundo	Building	4% every year starting on the 3rd year
Ellimac Prime Holdings, Inc.	May 1, 2011	April 30, 2036	Puregold Guiginto	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Sps. Alfred Reyes and Maxima A. Reyes	August 24, 2009	February 23, 2035	Puregold Extra Malabon	Building	2% beginning on the 3rd year, 4% beginning on the 5th year & 5% beginning on the 11th year until the 25th year
Sps. Ophelia T. Flores and Gamaliel A. Flores	July 14, 2010	July 13, 2030	Puregold La Trinidad, Benguet	Land	3% beginning on the 3rd year, 4% beginning on the 6th year, 5% beginning on the 9th year & 6% beginning on the 13th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
TDC Marketing Development Corporation	October 1, 2010	January 31, 2036	Puregold Susano	Building	2% beginning on the 2nd year, 3% beginning on the 6th year, 4% beginning on the 11th year, 5% beginning on the 16th year & 6% beginning on the 21st year until the 25th year
VFC Land Resources, Inc.	October 1, 2010	September 30, 2035	Puregold Baesa	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Sps. Eduardo D. Delos Angeles and Bliss Tiu; Sixto D.Delos Angeles; Sps. Antonio D. Delos Angeles and Ma. Concepcion Navarro and Gloria Dizon Vda. Delos Angeles	September 9, 2010	July 7, 2041	Puregold Montalban	Land	3% beginning on the 6th year, 4% beginning on the 11th year & 5% beginning on the 19th year until the 30th year
Luisito A. Santiago	August 3, 2010	June 30, 2015	Puregold Extra A. Bonifacio	Building	5% every 3 years
VFC Land Resources, Inc.	January 1, 2012	December 31, 2036	Puregold Balintawak	Building & Parking Area	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Pamela Justine P. Co	June 1, 2011	May 31, 2036	Puregold Extra Cabuyao	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
ALDP Land & Construction Corporation	August 17, 2011	February 16, 2037	Puregold Naga	Building	8% beginning on the 4th year & 9% beginning on the 7th year & every 36 months thereafter
Sps. Ellen Laddaran Zhou and Teddy Chiu (Zhou QI)	January 21, 2011	April 5, 2026	Puregold Capas	Building	5% starting on the 3rd year & every 2 years thereafter
Pajusco Realty Corporation	June 1, 2011	May 31, 2036	Puregold Candelaria	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Marcelita Realty Corporation	December 7, 2010	February 6, 2026	Puregold Extra GCCC	Building	10% beginning on the 3rd year & every 2 years thereafter
Shopetim Management Corporation	March 10, 2011	March 9, 2026	Puregold Southpark BF Homes, Pque.	Land with Improvement	for the 6 lots owned by Sunlight Holdings, Inc. and 1 lot owned by BF Town Corporation, 5% on the 3rd year & every 2 years thereafter while for the 3 lots owned by Banco Filipino Savings & Mortgage Bank, 5% on the 2nd year and every year thereafter
Cosco Prime Holdings, Inc.	November 1, 2011	October 31, 2036	Puregold Cabanatuan	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Sps. Cesar V. Areza and Lolita B. Areza and Areza Development and Marketing Corporation	20 yrs. & 4 mos. commencing upon turn over of the leased premises		Puregold Pagsanjan, Laguna	Building	3% beginning on the 3rd year, 4% beginning on the 6th year and 5% beginning on the 9th year
Masterpiece Asia Properties, Inc.	10 yrs. & 4 mos. commencing upon turn over of the leased premises		Puregold San Jose Del Monte, Bulacan	Building	3% beginning on the 3rd year up to the 5th year & 5% beginning on the 6th year up to the 10th year
Marion A. Cease	April 1, 2011	March 31, 2023	Puregold Extra Tiaong	Land	5% on the 2nd year and 6% beginning on the 3rd year up to the 12th year
Vista Residences, Inc.	October 1, 2011	September 30, 2021	Puregold Muntinlupa	Building	3% beginning on the 3rd year until the 5th year & 5% beginning on the 6th year until the 10th year
Rafael Chu	August 15, 2011	August 14, 2013	Puregold Extra Los Baños	Parking area	no escalation
La Paz Housing and Development Corp..	June 15, 2011	October 14, 2031	Puregold San Vicente	Building	2.5% every year beginning on the 3rd year until the 20th year
I. S. Properties, Inc.	15 yrs. & 6 mos. commencing upon turn over of the leased premises		Puregold Camalig, Meycauyan	Building	3% annually beginning on the 6th year & 4% annually beginning on the 11th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Macy's Inc.	February 1, 2012	January 31, 2022	Puregold Putatan, Muntinlupa	Building	3% annually beginning on the 3rd year until the 5th year & 5% annually beginning on the 6th year until the 10th year
Beatrice Realty Development Company, Inc.	February 1,2012	November 30,2042	Puregold Sto. Domingo, Cainta	Land	3% annually beginning on the 8th year & 4% annually beginning on the 26th year
7'S Buan Supermarket Inc.	July 15, 2011	November 14, 2031	Puregold Arayat, Pampanga	Land with Improvement	3% annually beginning on the 6th year up to the 10th year, 4% annually beginning on the 11th year up to the 15th year & 5% annually beginning on the 16th year up to the 20th year
Ruby Ticman; Rublou Supermarket, Inc.	November 25, 2011	November 24, 2026	Puregold Extra Cogeo, Antipolo	Building	3% beginning on the 3rd year & every year thereafter
Rublou Inc.; Rublou Supermarket, Inc.	November 25, 2011	November 24, 2026	Puregold Extra Brookside, Cainta	Building	3% beginning on the 3rd year & every year thereafter
Daystar Holdings Corporation	20 yrs. & 3 mos. commencing upon turn over of the leased premises		Puregold Osmeña Highway	Land & Building	3% beginning on the 3rd year & every year thereafter
Edgardo D. Del Rosario, Sps. Cristina G. Del Rosario-Crisostomo and Butch Edward Crisostomo; Sps. Peter Mike Edgar G. Del Rosario II and Dona Mae Liquigan Del Rosario and Sps. Michael Paul G. Del Rosario and Joanne Ahorro Del Rosario	30 yrs. & 6 mos. commencing upon turn over of the leased premises		Puregold San Francisco, Del Monte	Building	5% every year beginning on the 6th year
Vision Properties Development Corporation	25 yrs. & 4 mos. commencing upon turn over of the leased premises		Puregold Molino, Bacoor Cavite	Building	3% beginning on the 6th year up to the 10th year & 4% beginning on the 11th year up to the 25th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Sps. Evaristo A. Singson IV and Mary Ann J. Singson; Shiela Marie A. Singson	25 yrs. & 12 mos. commencing upon turn over of the leased premises		Puregold Vigan	Land	3% beginning on the 5th year up to the 10th year, 4% beginning on the 11th year up to the 15th year & 5% beginning on the 16th year up to the 25th year
Allied Business Corporation	25 yrs. & 6 mos. commencing upon turn over of the leased premises		Puregold Roxas, Isabela	Building	5% beginning on the 3rd year & every 2 years thereafter
Sps. Gabriel C. Alberto and Conchita B. Alberto; Sps. Arturo C. Alberto and Elsa S. Alberto; Sps. Ismael C. Alberto and Edna S. Alberto; Nora C. Alberto-Martin; Arleta C. Alberto	36 yrs. commencing upon turn over of the leased premises		Puregold Calapan City, Mindoro	Land	3% beginning on the 4th year & every 3 years thereafter, 4% beginning on the 16th year & every 3 years thereafter & 5% beginning on the 22nd year & every 3 years thereafter
Manuel Yeo Kachu	August 1, 2005	July 31, 2025	Puregold San Pedro	Building	5% every year
Manuel Yeo Kachu	October 1, 2011	September 30, 2013	Puregold San Pedro	Parking area	10% every year
VFC Land Resources, Inc.	September 1, 2010	August 31, 2035	Puregold Head Office	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year, 6% on the 21st to 25th year

Subsidiary as Lessee

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Manuela Corporation	July 15, 2008	October 14, 2018	Puregold Junior-Zapote	Building	3% on the 4th year and 5% on the 7th year.
I.S. Properties Inc.	January 1, 2009	April 30, 2016	Puregold Junior-Bocobo	Building	5% on the 3rd year and year thereafter.
Olivarez Realty Corp	December 16, 2008	January 15, 2019	Puregold Junior-Tagaytay	Building	5% on the 3rd year and by 7% on the 6th year of the contract.
Manuela Corporation	May 16, 2009	May 15, 2014	Puregold Junior-EDSA-Starmall	Building	7% on the 3rd year and by 10% on the 6th year.
The Philippine Chinese Charitable Association Inc.	November 1, 2009	October 31, 2027	Puregold Junior-Blumentritt	Land	10% on the 6th year
Spouses Adrian & Ma. Margaret M. Sanares	July 15, 2009	July 14, 2044	Puregold Junior-BF Homes	Land	3% on the 8th year, by 4% on the 16th year and 5% on the 24th year up to the 35^{th} year.
VFC Land Resources Inc.	June 1, 2011	May 31, 2036	Puregold Junior-Tanauan	Building	3% on the 6th year to 10th year, 4% on the 11th year to 15th year, 5% on the 16th year to 20th year and 6% on the 21st year to 25th year compounded annually.
St. Francis Square Holding, Inc.	July 31, 2009	July 30, 2024	Puregold Junior-St. Francis	Building	5% on the 3rd year, by 6% on the 6th year and 8% on the 9th year up to the 15^{th} year.
Manuela Corporation	August 24, 2009	August 23, 2019	Puregold Junior-Zapote-Annex	Building	3% on the 4th year and 6% on the 7th year up to the 10^{th} year.
Mahogany Land Inc.	September 3, 2009	September 2, 2029	Puregold Junior-Canlubang	Building	3% on the 4th year, 4% on the 10th year and 5% on the 16th year up to the 20^{th} year.

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Danilo Madrazo, Romeo Madrazo, Marielyn Madrazo and Edgardo Madrazo and New Life Supermart Corporation	October 3, 2011	February 2, 2032	Puregold Junior-Delta West Ave.	Building	5% on the 3rd year and year thereafter.
Intestate Estate of Leopoldo M. Laurel, Jr.	February 23, 2010	February 22, 2035	Puregold Junior-Marikina	Land	3% on the 6th year and by 5% on the 11th year up to the 25th year.
RRRC Development Corporation	June 16, 2010	June 15, 2035	Puregold Junior-San Dionisio	Building	3% on the 6th year, by 4% on the 11th year and by 5% on the 16th year up to the 25th year.
Sose's Marketing Enterprises, Inc.	December 21, 2009	December 20, 2024	Puregold Junior-Balibago	Building	5% every 2 years beginning on the 3rd year.
Ushio Realty & Development Corporation	January 1, 2010	February 28, 2020	Puregold Junior-Quezon Avenue	Building	10% every 2 years beginning on the 3rd year.
KMC Realty Corporation	April 1, 2011	March 31, 2036	Puregold Junior-Betterliving	Building	3% on the 6th year to 10th year, 4% on the 11th year to 15th year, 5% on the 16th year to 20th year and 6% on the 21st year to 25th year compounded annually
S.P. Realty & Development Corp.	February 15, 2010	August 14, 2030	Puregold Junior-Mother Ignacia	Land and Building	5% beginning on the 4th year.
Fairmart, Inc.	June 16, 2011	June 15, 2019	Puregold Junior-Raon	Building	5% on th 2nd year and beginning on the 4th year thereafter.
Guru Property Development & Management Corporation	November 15, 2010	November 14, 2035	Puregold Junior-Del Monte	Building	3% on the 6th year, by 4% on the 11th year and by 5% on the 16th year up to the 25th year.
Bedrock Realty & Investment Corporation	October 1, 2010	January 31, 2026	Puregold Junior-Balara	Land and Building	5% starting on the 4th year.
Alvy & Sons Development Corporation	September 3, 2010	December 2, 2020	Puregold Junior-San Fernando	Building	5% on the 4th year up to the 10th year.

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Guru Property Development and Management Corporation	February 16, 2011	June 15, 2021	Puregold Junior-Antipolo	Building	5% on the 3rd year up to 6th year and by 6% on the 7th year onwards.
Pajusco Realty Corp	November 1, 2011	October 31, 2036	Puregold Junior-San Juan, Batangas	Building	3% on the 6th year to 10th year, 4% on the 11th year to 15th year, 5% on the 16th year to 20th year and 6% on the 21st year to 25th year compounded annually
Newhall Realty Group Corporation	January 16, 2012	May 15, 2037	Puregold Junior-Gen.Trias	Building	3% on the 6th year, by 4% on the 11th year, and by 5% on the 16th year until the end of the lease term.
Queenstown Junction Development Incorporated	July 15, 2011	October 14, 2031	Puregold Junior-Juan Luna Divisoria	Building	5% on the 3rd year and every 2 years thereafter.
Minagrande Management, Inc.	November 2, 2011	March 1, 2027	Puregold Junior-Quirino Zapote Arcade	Building	3% on the 4th year and 5% on the 9th year until the 15th year.
Elenita Catuira-Eleazar, Marissa Eleazar-Marcalas, Allan Lester C. Eleazar, Maricar C. Eleazar, Mary Grace C. Eleazar	October 27, 2011	April 26, 2032	Puregold Junior-BM Los Baños	Building	5% on the 3rd year and every 2 years thereafter.
Fiorino Development Corporation	November 10, 2011	March 9, 2022	Puregold Junior-West Ave. Stripmall	Building	3% on the 4th year up to 10th year of the lease.
Golden Globe Treasury Link	15 years & 2 mos. commencing upon turn over of the lease premises		Puregold Junior-San Pablo	Building	5% on the 3rd year until the 15th year.
Ellimac Prime Holdings, Inc.	January 1, 2012	December 31, 2036	Puregold Junior-Don Antonio	Building	3% on the 6th year to 10th year, 4% on the 11th year to 15th year, 5% on the 16th year to 20th year and 6% on the 21st year to 25th year compounded annually.
First Laguna Land Business Corporation	October 4, 2011	February 3, 2027	Puregold Junior-Parian, Calamba	Building	10% on the 3rd year and every 2 years thereafter.

The Group is required to pay security deposits on the above leases which are shown under "Other noncurrent assets" account in the consolidated statements of financial position.

Total rent expense recognized in profit or loss on the above leases amounted to P793,151,063, P701,681,335 and P519,473,585 for the years ended December 31, 2011, 2010 and 2009, respectively (see Note 17).

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

	2011	2010	2009
Due within one year	**P782,000,443**	P593,198,067	P401,797,143
Due more than one year but not more than five years	**3,455,844,388**	2,500,564,884	1,153,618,336
Due more than five years	**16,577,068,927**	11,824,915,680	3,802,061,257
	P20,814,913,758	P14,918,678,631	P5,357,476,736

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten years. The lease contracts may be renewed upon mutual agreement by the parties.

Rent income recognized in profit or loss for the years ended December 31, 2011, 2010 and 2009 amounted P179,282,430, P133,203,099 and P145,397,468, respectively (see Note 16).

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

	2011	2010	2009
Due within one year	**P102,301,191**	P69,476,251	P46,283,229
Due more than one year but not more than five years	**151,042,740**	85,778,672	29,699,380
Due more than five years	**47,734,769**	56,240,879	31,232,626
	P301,078,700	P211,495,802	P107,215,235

16. Other Operating Income

This account for the years ended December 31 consists of:

	Note	**2011**	2010	2009
Concession income		**P565,933,941**	P438,748,722	P369,096,607
Display allowance		**274,210,481**	177,470,049	231,540,669
Rent income	*15*	**179,282,430**	133,203,099	145,397,468
Listing fee		**-**	-	18,822,493
Miscellaneous		**32,456,680**	31,246,323	20,428,684
		P1,051,883,532	P780,668,193	P785,285,921

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

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

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

Listing fee pertains to the amount collected from the suppliers for enrolling their products in the classified business line. In 2010, the listing fee is presented as deduction of Cost of sales, treated as conditional discount. This treatment is recommended by the Bureau of Internal Revenue.

Miscellaneous income consists of various revenues generated from those activities other than operating such as amounts collected from the customers for delivering their purchases, cashiers' overages, sale of used packaging materials and others

17. Selling Expenses

This account for the years ended December 31 consists of:

	Note	**2011**	2010	2009
Manpower agency services		**P824,088,255**	P591,263,028	P399,187,845
Rent	*15*	**793,151,063**	701,681,335	519,473,585
Communication, light and water		**727,797,130**	544,555,884	344,573,150
Salaries and wages		**459,370,425**	357,737,331	346,888,557
Depreciation and amortization	*9*	**456,974,253**	278,952,394	296,511,665
Store and office supplies		**201,494,144**	143,604,464	103,998,882
SSS/Medicare and HDMF contributions		**35,039,198**	27,636,870	26,593,134
Royalty	*21*	**9,248,157**	-	-
Miscellaneous		**60,902,944**	50,205,817	45,108,733
		P3,568,065,569	P2,695,637,123	P2,082,335,551

18. General and Administrative Expenses

This account for the years ended December 31 consists of:

	Note	**2011**	2010	2009
Taxes and licenses		**P133,285,082**	P98,725,602	P71,465,160
Repairs and maintenance		**105,017,188**	72,200,923	39,652,923
Insurance		**51,906,300**	37,245,581	30,040,977
Retirement benefits cost	*22*	**37,125,458**	21,898,859	14,565,064
Representation and entertainment		**23,089,275**	7,384,911	13,036,809
Fuel and oil		**20,116,039**	13,294,185	7,455,410
Transportation		**6,262,832**	2,490,980	1,950,402
Professional fee		**3,279,606**	5,722,379	4,468,633
Impairment losses on receivables	*5*	**1,407,884**	2,204,133	14,585
		P381,489,664	P261,167,553	P182,649,963

19. Other Operating Expenses

This account for the years ended December 31 consists of:

	2011	2010	2009
Security services	**P261,288,581**	P219,252,514	P176,112,366
Janitorial and messengerial services	**81,270,610**	58,650,860	45,206,958
Disallowed input value-added tax	**23,548,664**	16,280,995	16,451,618
Bank charges	**15,515,730**	16,887,467	33,769,470
Deficiency tax	**10,237,728**	-	-
Donations	**10,270,623**	56,458,048	2,430,851
Loss on pretermination of lease contract	**9,000,000**	-	-
Miscellaneous	**10,085,052**	1,995,094	7,522,915
	P421,216,988	P369,524,978	P281,494,178

20. Others

This account for the years ended December 31 consists of:

	Note	**2011**	2010	2009
Gain on insurance claim		**(P27,296,511)**	P -	(P8,926,035)
Interest income		**(25,143,153)**	(2,136,283)	(2,360,946)
Dividend income		**(866,750)**	(565,429)	(938,841)
Loss (gain) on disposal of property and equipment		**(369,118)**	2,619,632	(4,400,198)
Unrealized valuation gain in trading securities	*7*	**(195,314)**	(11,273,300)	(5,452,566)
Loss on goodwill written-off		**-**	33,475,019	-
Loss on sale of investments in trading securities		**-**	-	1,172,472
		(P53,870,846)	P22,119,639	(P20,906,114)

The P33.48 million goodwill written-off pertained to the goodwill which resulted from the merger approved by the SEC on February 3, 2006 between the Company and Suremart. The subject store located in Cubao, Quezon City, ceased operation on August 31, 2010. Consequently, the goodwill was written off.

21. Related Party Transactions

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

2011	Security Deposit	Cash Advances to	Sale of Merchandise	Rent Income	Cash Advances from
Entities under common control					
Cosco Price, Inc.	P -	P -	P -	P -	P -
Ellimac Prime Holdings, Inc.	18,735,522	-	-	-	-
Pajusco Realty Corporation	24,130,075	-	-	-	-
Cosco Prime Holdings, Inc.	52,243,397	-	-	-	-
Bellagio Holdings, Inc.	863,534	-	-	-	-
Purevalue, Inc.	-	-	1,069,499	4,019,466	-
Puregold Duty Free	-	-	-	-	-
Puregold Finance, Inc.	-	-	101,600	244,738	-
Puregold Duty Free - Subic, Inc.	-	-	-	-	-
VFC Land Resources	24,196,438	-	-	-	-
SVF Corporation	-	-	-	-	-
KMC Realty	5,567,680	-	-	-	-
Stockholders	-	-	-	-	-
	P125,736,646	P -	P1,171,009	P4,019,466	P -

2011	Communications	Employee Benefits	Royalty	Rent Expense	Utilities Expense
Entities under common control					
Cosco Price, Inc.	P -	P -	P -	P -	P -
Ellimac Prime Holdings, Inc.	-	-	-	84,848,648	11,691,569
Pajusco Realty Corporation	-	-	-	77,188,447	14,028,226
Cosco Prime Holdings, Inc.	-	-	-	138,798,262	14,189,544
Bellagio Holdings, Inc.	-	-	-	9,271,365	13,701,911
Purevalue, Inc.	-	-	-	-	-
Puregold Duty Free	80,427	4,235,798	-	-	162,777
Puregold Finance, Inc.	-	-	-	12,850,302	-
Puregold Duty Free - Subic, Inc.	213,974	-	-	-	-
VFC Land Resources	-	-	-	45,988,296	9,827,160
SVF Corporation	-	-	-	-	-
KMC Realty	-	-	-	16,293,275	96,312
Stockholders	-	-	9,248,157	-	-
	P294,401	P4,235,798	P9,248,157	P385,238,595	P63,697,499

2010	Security Deposit	Cash Advances to	Sale of Merchandise	Rent Income	Cash Advances from
Entities under common control					
Cosco Price, Inc.	P -	P135,198,534	P -	P -	P -
Ellimac Prime Holdings, Inc.	2,017,404	76,453,632	-	-	-
Pajusco Realty Corporation	530,166	-	-	-	-
Cosco Prime Holdings, Inc.	2,038,174	83,577,245	-	-	-
Bellagio Holdings, Inc.	-	1,144,549	-	-	-
Purevalue, Inc.	-	579,309	1,926,986	6,460,611	-
Puregold Duty Free	-	-	-	-	-
Puregold Finance, Inc.	-	-	-	-	-
Puregold Duty Free - Subic, Inc.	-	-	-	-	-
VFC Land Resources	429,300	55,079	-	-	-
SVF Corporation	-	56,984,677	-	-	-
KMC Realty	622,900	-	-	-	-
Stockholders	-	1,322,037,335	-	-	839,271,569
	P5,637,944	P1,771,794,465	P1,926,986	P6,460,611	P839,271,569

2010	Communications	Employee Benefits	Royalty	Rent expense	Utilities expense
Entities under common control					
Cosco Price, Inc.	P -	P -	P -	P -	P -
Ellimac Prime Holdings, Inc.	-	-	-	66,483,818	-
Pajusco Realty Corporation	-	-	-	99,949,034	390,229
Cosco Prime Holdings, Inc.	-	-	-	84,880,526	-
Bellagio Holdings, Inc.	-	-	-	9,664,496	12,941,111
Purevalue, Inc.	-	-	-	-	-
Puregold Duty Free	83,848	1,241,919	-	-	118,981
Puregold Finance, Inc.	-	-	-	8,249,194	-
Puregold Duty Free - Subic, Inc.	152,526	-	-	-	-
VFC Land Resources	-	-	-	18,216,002	6,036,548
SVF Corporation	-	-	-	-	-
KMC Realty	-	-	-	6,229,000	95,869
Stockholders	-	-	-	-	-
	P236,374	P1,241,919	P -	P293,672,070	P19,582,738

2009	Security Deposit	Cash Advances to	Sale of Merchandise	Rent Income	Cash Advances from
Entities under common control					
Puregold Junior Supermarket, Inc.	P -	P163,170,308	P -	P -	P153,149,332
Cosco Price, Inc.	-	102,500	-	-	-
Ellimac Prime Holdings, Inc.	-	273,933,968	-	-	-
Pajusco Realty Corporation	1,907,367	25,641,755	-	-	-
Cosco Prime Holdings, Inc.	656,039	-	-	-	83,100,000
Bellagio Holdings, Inc.	-	-	-	-	-
Purevalue, Inc.	-	-	1,742,172	5,672,570	194,821
Puregold Duty Free	-	-	-	-	-
Puregold Finance, Inc.	-	250,248	-	-	-
Puregold Duty Free - Subic, Inc.	-	25,444,091	-	-	-
PSMT Philippines, Inc.	-	8,500,000	-	-	-
VFC Land Resources	-	575,751,000	-	-	-
SVF Corporation	-	-	-	-	-
KMC Realty	-	-	-	-	-
Stockholders	-	1,138,013,369	-	-	37,219,974
	P2,563,406	P2,210,807,239	P1,742,172	P5,672,570	P273,522,163

2009	Communications	Employee Benefits	Royalty	Rent Expense	Utilities Expense
Entities under common control					
Cosco Price, Inc.	P -	P -	P -	P -	P -
Ellimac Prime Holdings, Inc.	-	-	-	74,016,367	573,696
Pajusco Realty Corporation	-	-	-	111,927,376	830,547
Cosco Prime Holdings, Inc.	-	-	-	68,991,179	2,459,528
Bellagio Holdings, Inc.	-	-	-	12,382,872	448,795
Purevalue, Inc.	-	-	-	-	-
Puregold Duty Free	180,398	1,306,472	-	-	280,695
Puregold Finance, Inc.	-	-	-	10,539,893	-
Puregold Duty Free - Subic, Inc.	-	-	-	-	-
PSMT Philippines, Inc.	-	-	-	-	-
VFC Land Resources	-	-	-	12,439,008	5,718,397
SVF Corporation	-	-	-	-	-
KMC Realty	-	-	-	-	141,964
Stockholders	-	-	-	-	-
	P180,398	P1,306,472	P -	P290,296,695	P10,453,622

Cash advances to and from related parties, and advances for property and equipment are unsecured, noninterest-bearing and due and demandable.

Due to a related party consists of royalty fee and other payable to a stockholder of the Company amounting to P8.86 million and nil as at December 31, 2011 and 2010, respectively.

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.

The compensation of key management personnel representing short-term benefits amounted to P12,677,500, P10,440,000 and P8,640,000 for the years ended December 31, 2011, 2010 and 2009, respectively. The Company has no key management compensation relating to post-employment benefits or other long-term benefits for the years ended December 31, 2011 and 2010.

22. Retirement Benefit Costs

The Company and its subsidiary have nonfunded, noncontributory, defined benefit retirement plan covering all of their eligible employees. The plan provides for retirement benefits based on a certain percentage of the latest monthly salary of an employee per year of service.

Retirement benefits cost recognized in profit or loss by the Company amounted to P37.13 million, P21.90 million and P14.57 million in 2011, 2010 and 2009, respectively, while the one recognized by the Subsidiary amounted to P3.00 million in 2011.

The reconciliation of the liability recognized in the consolidated statements of financial position at December 31 is shown below:

	2011	2010
Present value of the defined benefit obligation	**P147,999,230**	P91,320,841
Unrecognized actuarial losses	**(68,221,751)**	(47,813,695)
Unrecognized transitional liability	**(3,420,499)**	(4,275,624)
Retirement benefits liability at reporting date	**P76,356,980**	P39,231,522

The movements of the present value of the defined benefit obligation as of and for the years ended December 31 are shown below:

	2011	2010
Balance at beginning of year	**P91,320,841**	P67,711,518
Current service cost	**27,619,067**	13,916,778
Interest cost	**7,302,674**	5,416,921
Actuarial losses	**21,756,648**	-
Unrecognized transitional liability	**-**	4,275,624
Balance at end of year	**P147,999,230**	P91,320,841

The amount of retirement benefits cost recognized in profit or loss for the years ended December 31 consists of:

	2011	2010	2009
Current service cost	**P27,619,067**	P13,916,778	P14,240,392
Interest cost	**7,302,674**	5,416,921	190,976
Amortization of actuarial loss	**-**	-	133,696
Net actuarial loss recognized during the year	**2,203,717**	2,565,160	-
	P37,125,458	P21,898,859	P14,565,064

Based on the latest actuarial valuation made as of December 31, 2011, the principal actuarial assumptions at reporting date are as follows (expressed as percentages under weighted averages):

	2011	2010	2009
Discount rate	**6.29%**	8.00%	9.28%
Future salary increase	**10.00%**	10.00%	10.00%

The historical information of the amounts for the current and previous years is as follows:

	2011	2010	2009
Present value of defined benefit obligation	**P147,999,230**	P87,045,217	P67,711,518
Experience adjustments on plan liabilities	**21,756,648**	-	47,679,680

23. Income Taxes

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

	2011	2010	2009
Income before income tax	**P2,204,707,547**	P742,951,184	P188,898,518
Income tax expense at the statutory income tax rate	**P661,412,264**	P222,885,355	P56,669,555
Income tax effects of:			
Non-deductible interest expense	**3,090,723**	257,604	292,167
Non-deductible other expenses	**3,071,318**	-	-
Non-deductible expenses (non-taxable income)-net subjected to final tax	**(58,594)**	207,604	1,500,799
Dividend income subjected to final tax	**(260,025)**	(169,629)	(281,652)
Interest income subjected to final tax	**(7,542,946)**	(640,885)	(708,284)
Loss on goodwill written off	**-**	10,042,506	-
	P659,712,740	P232,582,555	P57,472,585

Deferred tax assets are attributable to the following:

	2011	2010
Accrued rent	**P198,885,122**	P152,282,908
Retirement benefits liability	**22,907,094**	11,769,458
Allowance for impairment losses on receivables	**1,656,533**	1,234,167
Accrued rent income	**(3,309,455)**	-
	P220,139,294	P165,286,533

The deferred tax asset on accrued rent above is in compliance with PAS 17 - *Leases* which resulted to a temporary difference between rental expense determined using the straight-line basis and tax deductible rental expense. The temporary difference amounted to P662,950,406 and P507,609,692 as of December 31, 2011 and 2010, respectively.

The deferred tax liability pertains to the accrued rent income which is also in compliance with PAS 17 - Leases. The gross amount of temporary difference is P11,031,515 and nil as at December 31, 2011 and 2010.

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

24. Equity

In a meeting held on July 15, 2010, the Company's Board of Directors approved the declaration of stock dividends aggregating to 382,000,000 shares. These were issued on July 15, 2010. Furthermore, additional 118,000,000 shares were subscribed, paid in full and issued on July 22, 2010. On September 20, 2010, another 153,918,832 shares were subscribed. These were subsequently paid and issued on October 19, 2010.

The related subscriptions receivable on the Company's subscribed capital stock of P796,081,168 at December 31, 2009 was fully collected and were issued with certificates in 2010.

On June 7, 2011, the Board of Directors 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 Company's shares with an offer price of P12.50 per share resulted to the issuance of 500,000,000 common shares during the year. The additional paid-in capital net of direct transaction costs amounted to P5,168.8 million.

25. Segment Information

In 2010, the Company acquired 100% equity interest in Puregold Junior Supermarket, Inc. (PJSI), an entity engaged in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. Acquisition cost amounted to P49,999,400. Accordingly, management believes there is no reportable segment distinct and separated from that of the Subsidiary.

26. Basic/Diluted EPS Computation

Basic/Diluted EPS is computed as follows:

	2011	2010	2009
Net income	P1,544,994,807	P510,368,629	P131,425,933
Weighted average number of ordinary shares			
Subscribed ordinary shares at January 1	P -	P796,081,168	P796,081,168
Issued ordinary shares at January 1	1,450,000,000	-	-
Effect of stock dividends in 2010	-	382,000,000	382,000,000
Effect of shares subscribed in July 2010	-	49,166,667	-
Effect of shares subscribed in September 2010	-	38,479,708	-
Effect of shares issued in June 2011	25,000,000	-	-
Effect of shares issued in September 2011	125,000,000	-	-
	P1,600,000,000	P1,265,727,543	P1,178,081,168
Earnings per share	P0.97	P0.40	P0.11

27. Financial Risk 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

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.

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	**2011**	2010
Cash in banks and cash equivalents	*4*	**P1,653,395,511**	P1,614,474,562
Investments in trading securities	*7*	**24,000,214**	23,792,400
Receivables - net	*5*	**410,357,431**	241,580,625
Restricted cash and cash equivalents	*10*	**2,286,731,084**	-
Available-for-sale financial assets	*10*	**7,879,160**	7,879,160
Security deposits	*10*	**567,262,531**	321,730,658
		P4,949,625,931	P2,209,457,405

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 of December 31, 2011				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 5 Years	More than 5 Years
Financial liabilities					
Accounts payable and accrued expenses (excluding statutory payables to the government)	P6,166,108,486	P6,166,108,486	P6,166,108,486	P -	P -
Due to a related party	8,855,584	8,855,584	8,855,584	-	-
Trust receipts payable	21,299,667	21,299,667	21,299,667	-	-
Other current liabilities (excluding promotional fund, exclusive fund and gift cheques)	91,717,310	91,717,310	91,717,310	-	-
Noncurrent accrued rent	662,950,406	662,950,406	572,956	40,622,104	621,755,346

	As of December 31, 2010				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 5 Years	More than 5 Years
Financial liabilities					
Accounts payable and accrued expenses (excluding statutory payables to the government)	P4,956,796,037	P4,956,796,037	P4,956,796,037	P -	P -
Trust receipts payable	30,932,358	30,932,358	30,932,358	-	-
Other current liabilities (excluding promotional fund, exclusive fund and gift cheques)	58,145,520	58,145,520	58,145,520	-	-
Loans payable	2,092,330,000	2,095,604,428	2,095,604,428	-	-
Noncurrent accrued rent	507,609,692	507,609,692	-	175,843,622	331,766,070

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 and short-term loans. Cash deposits and short-term loans with variable rates expose the Group to cash flow interest rate risk.

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

	2011	2010	2009
Fixed rate			
Financial assets	**P3,940,126,595**	P1,614,474,562	P977,079,364
Financial liabilities	**21,299,667**	2,123,262,358	6,114,210,500

Sensitivity Analysis

A 2% increase in interest rates would have decreased equity and net income by P54.86 million, P7.12 million, P7.19 million for December 31, 2011, 2010 and 2009, respectively. A 2% decrease in interest rates would have had the equal but opposite effect, on the basis that all other variables remain constant.

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 sets 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 and retained earnings.

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

The Group is not subject to any externally-imposed capital requirement.

28. Financial Instruments

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments (expressed in millions) as of December 31:

	2011		2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P1,955.17**	**P1,955.17**	P1,837.94	P1,837.94
Receivables - net	**410.36**	**410.36**	241.58	241.58
Investments in trading securities	**24.00**	**24.00**	23.79	23.79
Restricted cash and cash equivalents	**2,286.73**	**2,286.73**	-	-
Available-for-sale financial assets (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**7.88**	**7.88**	7.88	7.88
Security deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**567.26**	**567.26**	321.73	321.73
Financial Liabilities				
Loans payable	**-**	**-**	2,092.33	2,092.33
Accounts payable and accrued expenses	**6,166.11**	**6,166.11**	4,956.80	4,956.80
Due to a related party	**8.86**	**8.86**	-	-
Trust receipts payable	**21.30**	**21.30**	30.93	30.93
Other current liabilities	**91.72**	**91.72**	58.15	58.15
Noncurrent accrued rent	**662.95**	**662.95**	507.61	507.61

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

Cash and Cash Equivalents, Receivables, Restricted Cash and Cash Equivalents and Security Deposits. The carrying amounts of unrestricted and restricted cash and cash equivalents, and trade and other receivables approximate fair value 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 Investments. 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.

Loans Payable and Accounts Payable and Accrued Expenses. The carrying amounts of loans payable and accounts payable and accrued expenses approximate fair value due to the relatively short-term maturities of these financial instruments.

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).

2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments in trading securities	P24,000,214	P -	P -	P24,000,214
Available-for-sale financial assets	7,879,160	-	-	7,879,160

In 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29. Events Subsequent to Reporting Date

On January 30, 2012, the Board of Directors approved the declaration of stock dividends amounting to P150,000,000 from the unrestricted retained earnings of the Subsidiary as at December 31, 2011, payable to stockholders of record as at December 31, 2011.

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISION

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Puregold Price Club, Inc. (the "Company") and a Subsidiary included in this Form 17-A and have issued our report thereon dated February 17, 2012.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purpose of complying with the Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

ADOR C. MEJIA
Partner
CPA License No. 0029620
SEC Accreditation No. 0464-AR-1, Group A, valid until March 17, 2013
Tax Identification No. 112-071-634
BIR Accreditation No. 08-001987-10-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174020MA
Issued January 2, 2012 at Makati City

February 17, 2012
Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC AND SUBSIDIARY
SCHEDULE A FINANCIAL ASSETS
As of December 31,2011

Type of Financial Assets		Amount	Amount
Financial Assets at FVPL			
	Investment in Trading Securities	24,000,214	A.1
Available-for-sale financial assets			
	Available-for-sale financial assets	7,879,160	A.2
Held to maturity investments		-	
Loans and Receivable			
	Cash and cash equivalents	1,955,167,541	
	Receivables-net	410,357,431	
	Restricted cash and cash equivalents	2,286,731,084	
	Security deposits	567,262,531	

A.1 MARKETABLE SECURITIES (CURRENT MARKETABLE SECURITIES AND OTHER SHORT TERM CASH INVESTMENTS

Name of Issueing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at balance sheet date *	Income received and accrued
A. INVESTMENTS IN TRADING SECURITIES				
ABOITIZ POWER	280,000	8,372,000	8,372,000	306,275
BANCO DE ORO	70,000	4,130,000	4,130,000	70,000
GMA PDR	50,000	325,000	325,000	48,876
METROBANK	55,232	3,753,014	3,753,014	55,232
NATL REINSURANCE CO OF THE PHIL	200,000	372,000	372,000	4,000
PHILEX MINING CORP.	100,000	2,085,000	2,085,000	35,200
PHILEX PETROLEUM CORP.	12,500	87,750	87,750	12,500
PNB	20,000	1,128,000	1,128,000	10,569
RCBC	124,500	3,747,450	3,747,450	125,758
TOTAL	912,232	24,000,214	24,000,214	668,410

* Total number of shares multiplied by market value per share based on Philippine Dealing and Exchange Corp. closing rate as of reporting date

A.2 NON-CURRENT MARKETABLE EQUITY SECURITES, OTHER LONG TERM INVESTMENT IN STOCK AND OTHER INVESTMENT

	Beginning Balance		Additons		Deductions		Ending Balance		
Name of Issuing equity and description of Investment	Number of shares or principal amount of bonds and notes	Amount in pesos	Equity in earnings (losses) of investment for the period	Other equity and cost adjustment	Distribution of earnings by investees	Other equity and cost adjustment	Number of Shares or principal amount of bonds and notes	Amount in pesos	received from investment not accounted for by equity method
Other Long Term Investment									
Manila Electric Company	726,166	7,261,660.00					726,166	7,261,660.00	
Tower Club Shares		617,500.00						617,500.00	
Total Long term investment		7,879,160.00						7,879,160.00	

PUREGOLD PRICE CLUB, INC AND SUBSIDIARY

SCHEDULE B AMOUNT RECEIVABLE FROM DIRECTORS,OFFICERS,EMPLOYEES,RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

As of December 31,2011

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
			NOT APPLICABLE				

PUREGOLD PRICE CLUB, INC AND SUBSIDIARY

SCHEDULE C RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

As of December 31,2011

			Deductions				
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Puregold Junior Supermarket, Inc. - Subsidiary	442,300,000	515,186,555	196,506,740	-	760,979,815		760,979,815
Puregold Junior Supermarket, Inc. - Subsidiary Accrued Rent Receivable	-	792,127 *	-	-	-	792,127	792,127

* arise from the rent adjustment based on PAS17 in which the parent company is the lessor.

PUREGOLD PRICE CLUB, INC AND SUBSIDIARY
SCHEDULE D INTANGIBLE ASSETS - OTHER ASSETS
As of December 31,2011

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
			NOT APPLICABLE			

PUREGOLD PRICE CLUB, INC AND SUBSIDIARY
SCHEDULE E LONG TERM DEBT
As of December 31,2011

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
	NOT APPLICABLE		

PUREGOLD PRICE CLUB, INC AND SUBSIDIARY
SCHEDULE F INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED PARTIES)
As of December 31,2011

Name of related party	Balance at beginning of period	Balance at end of period
	NOT APPLICABLE	

PUREGOLD PRICE CLUB, INC AND SUBSIDIARY
SCHEDULE G GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31,2011

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		NOT APPLICABLE		

PUREGOLD PRICE CLUB, INC AND SUBSIDIARY

SCHEDULE H. CAPITAL STOCK

As of December 31,2011

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED/ SUBSCRIBED	NUMBER OF SHARES RESERVED FOR OPTIONS,WARRANTS,CONVERSION & RIGHTS	NUMBER OF SHARES HELD BY AFFILIATES	DIRECTORS,OFFICERS & EMPLOYEES	OTHERS
Common Stock issued and subscribed a/	3,000,000,000	2,000,000,000			1,332,180,745	667,819,255
Common shares outstanding	3,000,000,000	2,000,000,000			1,332,180,745	667,819,255
a/ On June 7,2011, the Board of Directors approved the issuance of 50,000,000 shares of Capital Stock. These were subscribed and paid in full June 10,2011						
b/ The initial public offering of the company shares with an offer price of 12.50 per share resulted to the issuance of 500,000,000 common shares during the year.						

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

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Internet www.kpmg.com.ph
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Branches · Subic · Cebu · Bacolod · Iloilo

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Puregold Price Club, Inc. (the "Company") and have issued our report thereon dated February 17, 2012.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule required for listed companies that recently offered securities to the public, representing the receipt and utilization of proceeds, is the responsibility of the Company's management. The schedule is presented for purposes of complying with the Securities Regulation Code 68, As Amended, and is not part of the basic consolidated financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

ADOR C. MEJIA
Partner
CPA License No. 0029620
SEC Accreditation No. 0464-AR-1, Group A, valid until March 17, 2013
Tax Identification No. 112-071-634
BIR Accreditation No. 08-001987-10-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174020MA
Issued January 2, 2012 at Makati City

February 17, 2012
Makati City, Metro Manila

I. Listed companies that recently offered securities to the public (either as initial or additional offering)

A schedule showing the following amounts:

(i) Gross and net proceeds as disclosed in the final prospectus;
(ii) Actual gross and net proceeds;
(iii) Each expenditure item where the proceeds was used; and
(iv) Balance of the proceeds as of end of reporting period.

This schedule shall be submitted with the annual audited financial statements and if applicable, with the company's interim financial statements.

	Prospectus	Actual
Gross Proceeds	6,250.0	6,250.0
Net Proceeds	5,758.8	5,668.8

Use of Proceeds	
Bank loans	2,587.3
Capital expenditures:	
Security deposits	132.2
Land	260.8
Building	398.6
Leasehold improvements	457.3
Furniture & fixtures	103.3
Equipments	321.7
Total	4,261.3
Proceeds balance	**1,407.5**

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E-Mail manila@kpmg.com.ph

Branches · Subic · Cebu · Bacolod · Iloilo

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Puregold Price Club, Inc. (the "Company") and have issued our report thereon dated February 17, 2012.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The tabular schedule of Philippine Financial Reporting Standards as at December 31, 2011 is the responsibility of the Company's management. The tabular schedule is presented for purposes of complying with the Securities Regulation Code 68, As Amended, and is not part of the basic consolidated financial statements. The tabular schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

ADOR C. MEJIA
Partner
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Issued January 2, 2012 at Makati City

February 17, 2012
Makati City, Metro Manila

Standards	"Adopted", "Not adopted" or "Not applicable"
Philippine Financial Reporting Standards (PFRSs)	
PFRS 1 First-time Adoption of Philippine Financial Reporting Standards	Not applicable
PFRS 2 Share-based Payment	Not applicable
PFRS 3 Business Combinations	Not applicable
PFRS 4 Insurance Contracts	Not applicable
PFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Not applicable
PFRS 6 Exploration for and Evaluation of Mineral Resources	Not applicable
PFRS 7 Financial Instruments: Disclosures	Adopted
PFRS 8 Operating Segments	Not applicable
Philippine Accounting Standards (PASs)	
PAS 1 Presentation of Financial Statements	Adopted
PAS 2 Inventories	Adopted
PAS 7 Statement of Cash Flows	Adopted
PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10 Events after the Reporting Period	Adopted
PAS 11 Construction Contracts	Not applicable
PAS 12 Income Taxes	Adopted
PAS 16 Property, Plant and Equipment	Adopted
PAS 17 Leases	Adopted
PAS 18 Revenue	Adopted
PAS 19 Employee Benefits	Adopted
PAS 20 Accounting for Government Grants and Disclosure of Government Assistance	Not applicable
PAS 21 The Effects of Changes in Foreign Exchange Rates	Not applicable
PAS 23 Borrowing Costs	Adopted
PAS 24 Related Party Disclosures	Adopted
PAS 26 Accounting and Reporting by Retirement Benefit Plans	Not applicable
PAS 27 Consolidated and Separate Financial Statements	Adopted
PAS 28 Investments in Associates	Not applicable
PAS 29 Financial Reporting in Hyperinflationary Economies	Not applicable
PAS 31 Interests in Joint Venture	Not applicable
PAS 32 Financial Instruments: Presentation	Adopted
PAS 33 Earnings per Share	Adopted
PAS 34 Interim Financial Reporting	Adopted
PAS 36 Impairment of Assets	Adopted
PAS 37 Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38 Intangible Assets	Not applicable
PAS 39 Financial Instruments: Recognition and Measurement	Adopted
PAS 40 Investment Property	Not applicable
PAS 41 Agriculture	Not applicable

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Puregold Price Club, Inc. (the "Company") and have issued our report thereon dated February 17, 2012.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The map of the conglomerate within which the Company belongs is the responsibility of the Company's management. The map is presented for purposes of complying with the Securities Regulation Code 68, As Amended, and is not part of the basic consolidated financial statements. The map has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

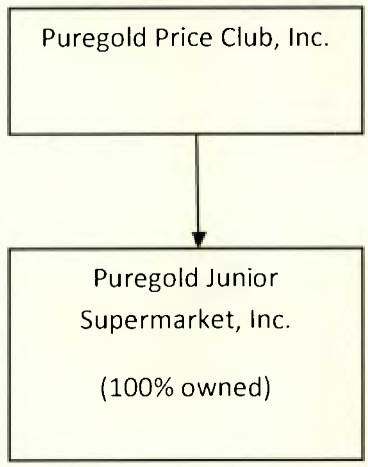
MANABAT SANAGUSTIN & CO., CPAs

ADOR C. MEJIA
Partner
CPA License No. 0029620
SEC Accreditation No. 0464-AR-1, Group A, valid until March 17, 2013
Tax Identification No. 112-071-634
BIR Accreditation No. 08-001987-10-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174020MA
Issued January 2, 2012 at Makati City

February 17, 2012
Makati City, Metro Manila

Puregold Price Club, Inc. and Subsidiary

MAP of Relationship between the Parent Company and the Subsidiary



ANNEX "E"

INFORMATION RELATING TO KAREILA MANAGEMENT CORPORATION

(1) Brief Description of Kareila Management Corporation:

Business Purpose and Operation:

Kareila Management Corporation ("Kareila") was incorporated and registered with the Philippine Securities and Exchange Commission on July 6, 2004. The principal activities of Kareila are as follows: (a) to act as managers, managing agents, consignor, concessionaire or supplier of businesses engaged in manufacturing or trading of general merchandise and (b) to conduct and carry on the business of establishing and operating membership supermarket shopping and engage in the business of purchasing, importing and directly selling to members all kinds of goods, commodities, wares and merchandise. Its Principal office and Contact numbers are as follows:

Principal Address:	32^{nd} St., 5^{th} Avenue, The Fort Global City, Taguig City
Telephone Number:	(02) 888-0433/888-0640/888-0445

Kareila is the current operator of S&R Membership Shopping. It is a general consignor of goods and merchandise to the four stores of PSMT Philippines, Inc. located at (1) Fort Bonifacio Global City, Taguig City; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Parañaque City and (4) Westgate, Filinvest Alabang, Muntinlupa City subject to terms and conditions stated in the Consignment and Concession Contract. Kareila is also engaged in the business of purchasing, importing and directly selling to members all kinds of goods, commodities, wares and merchandise. At present, it is operating two branches of membership supermarket shopping located at (1) Subangdaku, Mandaue and City and (2) City of San Fernando, Pampanga.

Properties of Kareila

Kareila currently has three long term leasehold rights. The first is a lease over a warehouse located at A. Correa Extension, Paco, Manila for a period of 5 years, which is renewable upon mutual consent of both parties. The Second is over a commercial space located at the Cosco Building, Aurora Blvd., Araneta Center Cubao for a period of 10 years which is also renewable upon mutual consent of the parties. The last is over parcels of land located in Mandaue City, Cebu with an aggregate area of 23,253 square meters of a period of 25 years.

Kareila also leases on a short term basis warehouses where it stores its inventories. These are usually leased on an annual basis. A more detailed description of these properties are found in note 21.02 of the Audited Financial Statements.

(2) MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following is a discussion and analysis of Kareila's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Kareila's business and should be read in conjunction with the auditors' reports and audited consolidated financial statements and notes attached herewith as Annex "F".

2011 vs 2010

Kareila Management Corporation generated total revenues of ₱6.6 billion in 2011, 61% higher than ₱4.1 billion in 2010. This was mainly due to the following: (1) increase in the percentage share on gross sales for the four (4) Manila stores – from 85% in 2010 to 90% in 2011; (2) full year operations of Cebu Branch; and (3) opening of new branch in Pampanga in November 2011.

Cost of sales and operating expenses increased by 41% and 151%, respectively. This mainly reflects the effect of the full year operation of Cebu branch and the opening of Pampanga branch.

Net profit in 2011 reached ₱660 million from ₱144 million in 2010.

KEY PERFORMANCE INDICATORS OF THE COMPANY AND ITS SIGNIFICANT SUBSIDIARIES

	2011	2010	2009
Income	660,266,229	143,876,941	14,352,500
Total Assets	2,846,689,066	2,266,744,520	2,733,166,933
Total Debt	2,015,237,279	2,095,558,962	2,705,858,316
Stockholders' Equity	831,451,787	171,185,558	27,308,617
Current Ratio	1.00	0.88	1.01
Debt to Equity Ratio	2.42	12.24	99.08

CAUSES FOR ANY MATERIAL CHANGE

Balance Sheet Items
(December 31, 2011 vs December 31, 2010)

Cash and cash equivalents - 9% increase from ₱546 million to ₱595 million
Due the increase in sales brought about by the full-year operation of Cebu branch and opening of Pampanga branch. As a percentage to total assets,

cash and cash equivalents decreased to 21% from 24% as of December 31, 2011 and December 31, 2010, respectively.

Trade and other receivables - 196% increase from ₱69 million to ₱203 million
Due the increase in sales brought about by the full-year operations of Cebu branch and opening of Pampanga branch. As a percentage to total assets, trade and other receivables is at 7% as of December 31, 2011 and 3% as of December 31, 2010.

Inventories - 47% increase from ₱805 million to ₱1.18 billion
Due to additional branches – Cebu and Pampanga. As a percentage to total assets, inventories is at 42% as of December 31, 2011 and 36% as of December 31, 2010.

Prepayments and other current assets - 90% decrease from ₱432 million to ₱42 million
Due to the decrease in restricted cash set-up amounting to ₱428 million for the Payable to PSMT Philippines, Inc. representing net balance on concess / consignment transactions. This account is at 2% of total assets as of December 31, 2011 and 19% as of December 31, 2010.

Property and equipment (net) - 94% increase from ₱412 million to ₱799 million
Increase was due to the construction cost of Pampanga branch. This account is at 28% of total assets as of December 31, 2011 and 18% as of December 31, 2010.

Security deposits – 1,236% increase from ₱1 million to ₱17 million
Increase was due to payment of security deposit to the lessor of Cebu branch equivalent to six (6) months rental. This account is at 0.5% of total assets as of December 31, 2011 and .06% December 31, 2010.

Deferred tax asset – increase from nil to ₱5 million
Due to the accrual of retirement and rent as of December 31, 2011. As a percentage to total assets, this account is at 0.18%.

Trade and other payables – 25% decrease from ₱1.157 billion to ₱864 million
Due to payment of accounts. As of December 31, 2011 and December 31, 2010, this account is at 43% and 55% of the total liabilities, respectively.

Income tax payable – from ₱1.9 million to ₱210 million
Due to increase in income before tax as a result of increase in revenues. As a percentage to total liabilities, this account is at 10% and 0.09% as of December 31, 2011 and December 31, 2010, respectively.

Retirement benefit obligation – from nil to ₱4.3 million
The Company recognized in 2011 retirement benefit obligation on the basis of the provisions of RA 7641. This represents 0.2% of the total liabilities as of December 31, 2011.

Stock Dividends Distributable
In 2011, the Company declared stock dividends to its stockholders from its unrestricted retained earnings as of December 31, 2010.

Income Statement Items
(December 31, 2011 vs December 31, 2010)

Revenues – 61% increase from ₱4.1billion to ₱6.6 billion
Due to higher sales of the four (4) Manila stores, full year operations of Cebu branch and opening of Pampanga branch.

Cost of sales – 41% increase from ₱3.8billion to ₱5.4 billion
Due to the full year operations of Cebu branch and opening of Pampanga branch. This account is at 94% of the total cost and expenses in 2011 and at 97% in 2010.

Operating expenses – 151% increase from ₱124 million to ₱312 million
Due to the full year operations of Cebu branch and opening of Pampanga branch. This account is at 5% of the total cost and expenses in 2011 and at 3% in 2010.

Finance cost – 368% increase from ₱7.6 million to ₱35.6 million
Short-term loan was only acquired last quarter of 2010 thus, full year interest expense was recognized in 2011 compared to three (3) months in 2010. This account is at 0.62% of the total cost and expenses in 2011 and at 0.19% in 2010.

Income tax – 386% increase from ₱57.5 million to ₱279.8 million
Mainly caused by the increase in revenues.

2010 vs 2009

Kareila Management Corporation generated total revenues of ₱4.1 billion in 2010, 115% higher than ₱1.9 billion in 2009. This was mainly due to increase in revenues of four (4) Manila stores and opening of Cebu branch in November 2010. Cost of sales and operating expenses increased by 103% and 133%, respectively. This pertains to increase in variable expenses relative to the increase in revenues, plus the opening of Cebu branch.

Net profit in 2010 reached ₱143 million from ₱14 million in 2009.

Key performance indicators of the Company and its significant subsidiaries

	2010	2009	2008
Income	143,876,941	14,352,500	91,176,521
Total Assets	2,266,744,520	2,733,166,933	2,669,759,359

Total Debt	2,095,558,962	2,705,858,316	2,656,803,242
Stockholders' Equity	171,185,558	27,308,617	12,956,117
Current Ratio	0.88	1.01	1.00
Debt to Equity Ratio	12.24	99.08	205.06

Causes for any material change

Balance Sheet Items
(December 31, 2010 vs December 31, 2009)

Cash and cash equivalents - 180% increase from ₱195 million to ₱546 million
Due to increase in revenues of the four (4) Manila stores and opening of Cebu branch. As a percentage to total assets, this account is at 24% in 2010 and 7% in 2009.

Trade and other receivables - 94% decrease from ₱1 billion to ₱69 million
Decrease is due to collection of accounts. As a percentage to total assets, this account is at 3% in 2010 and 42% in 2009.

Inventories - 41% increase from ₱571 million to ₱806 million
Due to increase in revenues of the four (4) Manila stores and opening of Cebu branch. As a percentage of total assets, this account is at 36% in 2010 and 21% in 2009.

Prepayments and other current assets - 47% decrease from ₱813 million to ₱432 million
Due to the decrease in restricted cash set-up amounting to ₱385 million for the Payable to PSMT Philippines, Inc. representing net balance on concess / consignment transactions. As a percentage of total assets, this account is at 19% in 2010 and 30% in 2009.

Property and equipment (net) - increase from ₱1 million to ₱412 million
Due to the construction cost of Cebu branch. As a percentage of total assets, this account is at 18% in 2010 and 0.04% in 2009.

Security deposits – increase from nil to ₱1 million
Mainly due to payment of security deposit for the rental of warehouse in Manila. This account is at 0.06% of the total assets in 2010.

Trade and other payables – 57% decrease from ₱2.7 billion to ₱1.1 million
Decrease is due to payments of accounts. As of December 31, 2010 and December 31, 2009, this account is at 55% and 100% of the total liabilities, respectively.

Income Statement Items
(December 31, 2010 vs December 31, 2009)

Revenues – 115% increase from ₱1.9 billion to ₱4.1 billion
Due to increase in sales of four (4) Manila stores and opening of Cebu branch in November 2010.

Cost of sales – 103% increase from ₱1.9billion to ₱3.8 billion
Due to increase in sales of four (4) Manila stores and opening of Cebu branch in November 2010. This account is at 97% of the total cost and expenses in 2010 and at 97% in 2009.

Operating expenses – 119% increase from ₱57 million to ₱124 million
Due to increase in variable expenses relative to the increase in revenues of four (4) Manila stores and opening of Cebu branch in November 2010. This account is at 3% of the total cost and expenses in 2010 and at 3% in 2009.

Finance cost – increase from nil to ₱8 million
Due to short-term loan acquired in October 2010. This account is at 0.20% of the total cost and expenses in 2010.

Income tax – increase from ₱3 million to ₱58 million
Mainly caused by the increase in revenues.

(3) MARKET PRICE, HOLDERS AND DIVIDENDS ON KAREILA's COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market Information

Kareila is not traded publicly. There were no recent sales of unregistered or exempt securities of Kareila, including issuance of securities constituting an exempt transaction during the last two recently ended fiscal years except the issuance of stock dividends to the existing shareholders.

(b) **Holders**

The shares of stock of Kareila are currently owned by the Co family as follows:

	Number of Shares	Percent of Total
Lucio L. Co	681,250	40%
Susan P. Co	681,250	40%
Ferdinand Vincent P. Co	170,312	9.99%
Pamela Justine P. Co	170,312	9.99%
Total	1,703,124	100 %

(c) <u>**Dividends**</u>

As disclosed in Note 15 of the Audited Financial Statements of Kareila attached herewith as Annex "F", Kareila declared stock dividends in the amount of Php 18,750,000.00 and Php 150,000,000.00 in the year 2010 and 2011.

(4) LEGAL PROCEEDINGS

Karelia has not been involved nor is involved in any governmental, legal or arbitration proceedings that may have or have had a material effect on Kareila's business, financial position or profitability.

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

(5) DIRECTORS AND EXECUTIVE OFFICERS

As previously disclosed, the Company and Kareila have the same directors but different executive officers. The executive officers of Kareila are the following:

Anthony G. Sy
President

Mr. Sy has been the President of the Kareila since the beginning of its operation. He is a graduate of Ateneo De Manila University with a degree of Bachelor of Science in Management Engineering.

Dorothy Dell Chan So
Treasurer

Ms. So has been the Treasurer of Kareila since January 2012. Ms. So is a Director of 999 Shopping Mall, Inc. Fertuna International Trading, Inc., Nation Realty, Inc., Pilgor Development Services Corporation, Premier Freeport, Inc. and SVF Corporation. She graduated from the College of the Holy Spirit with a degree of Liberal Arts major in Human Resources in year 2002.

Atty. Candy H. Dacanay-Datuon, 33, Filipino
Corporate Secretary

Atty. Dacanay-Datuon has been appointed as Corporate Secretary of Kareila. She is a lawyer and a member of the Philippine Bar since 2004. She received a Bachelor of Arts, Cum Laude, in Political Science from the Colegio de San Juan de Letran and a Bachelor of Laws Degree from the University of Santo Tomas.

KAREILA
MANAGEMENT CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **KAREILA MANAGEMENT CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2011. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and/ or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2011 and the accompanying Annual Income Tax Return are in accordance with the books and records of **KAREILA MANAGEMENT CORPORATION**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the **KAREILA MANAGEMENT CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ANTHONY G. SY President/Chairman of the Board	**DOROTHY DELL CHAN SO** Treasurer

32ND STREET, 5TH AVENUE, FORT BONIFACIO GLOBAL CITY, TAGUIG
*TEL. NO.: 888-0433 * TELEFAX: 888-0689*

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

Stockholders and the Board of Directors
KAREILA MANAGEMENT CORPORATION
1379 San Gregorio St., Paco, Manila

We have examined the financial statements of **KAREILA MANAGEMENT CORPORATION** for the years ended December 31, 2011 and 2010 on which we have rendered the attached report dated March 2, 2012.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

In compliance with Securities Regulation Code Rule 68, we are stating that the above Company has a total number of five (5) stockholders owning one hundred (100) or more shares each.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until December 31, 2012
SEC Group A Accredited
Accreditation No. 0153-FR-1
Valid until September 13, 2014
BSP Group B Accredited
Valid until February 14, 2014
CDA CEA No. 013-AF
Valid until October 25, 2013

ROMEO A. DE JESUS, JR.
Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 1135-A
BIR Accreditation No. 08-004744-1-2009
Valid from March 5, 2009 until March 4, 2012
Tax Identification No. 109-227-897
PTR No. 0009052
Issued on January 6, 2012 at Makati City

March 2, 2012

INDEPENDENT AUDITORS' REPORT

Stockholders and the Board of Directors
KAREILA MANAGEMENT CORPORATION
1379 San Gregorio Street, Paco, Manila

Report on the Financial Statements

We have audited the accompanying financial statements of **KAREILA MANAGEMENT CORPORATION**, which comprise the statements of financial position as of December 31, 2011 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **KAREILA MANAGEMENT CORPORATION** as of December 31, 2011 and 2010, and its financial performance and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulation

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under revenue regulations 15-2010 and 19-2011 in Notes 28 and 29, respectively are presented for purposes of filing with the Bureau of Internal Revenue and are not a required part of the basic financial statements. Such information is the responsibility of the Management of **KAREILA MANAGEMENT CORPORATION**. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until December 31, 2012
SEC Group A Accredited
Accreditation No. 0153-FR-1
Valid until September 13, 2014
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March 2, 2012

KAREILA MANAGEMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010
(In Philippine Peso)

	NOTES	2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents	6	**595,035,072**	546,256,764
Trade and other receivables	7	**203,804,282**	68,848,478
Inventories	8, 17	**1,183,918,701**	805,579,254
Prepayments and other current assets	9	**42,742,677**	432,658,432
		2,025,500,732	1,853,342,928
Non-current Assets			
Property and equipment – net	10	**799,398,290**	412,151,662
Security deposits	24	**16,703,817**	1,249,930
Deferred tax asset	23	5,086,227	-
		821,188,334	413,401,592
TOTAL ASSETS		2,846,689,066	2,266,744,520
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**864,307,206**	1,157,292,676
Income tax payable		**210,240,766**	1,966,286
Loan payable	12	936,300,000	936,300,000
		2,010,847,972	2,095,558,962
Non-current Liability			
Retirement benefit obligation	20	**4,389,307**	-
TOTAL LIABILITIES		**2,015,237,279**	2,095,558,962
STOCKHOLDERS' EQUITY			
Capital Stock	14	**20,312,500**	20,312,500
Stock Dividends Distributable	15	**150,000,000**	-
Retained Earnings		661,139,287	150,873,058
TOTAL STOCKHOLDERS' EQUITY		831,451,787	171,185,558
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**2,846,689,066**	2,266,744,520

(See Notes to Financial Statements)

KAREILA MANAGEMENT CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2011 and 2010

(In Philippine Peso)

	NOTES	2011	2010
REVENUES	16	**6,646,338,679**	4,137,743,748
COST OF SALES	8,17	**5,430,956,629**	3,841,206,641
GROSS PROFIT		**1,215,382,050**	296,537,107
OTHER INCOME	18	**73,054,906**	37,002,046
		1,288,436,956	333,539,153
OPERATING EXPENSES	19	**312,736,277**	124,493,440
FINANCE COST	12	**35,598,906**	7,607,406
PROFIT BEFORE TAX		**940,101,773**	201,438,307
INCOME TAX	22	**279,835,544**	57,561,366
PROFIT		**660,266,229**	143,876,941

(See Notes to Financial Statements)

KAREILA MANAGEMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2011 and 2010
(In Philippine Peso)

	Notes	Capital Stock	Stock Dividends Distributable	Retained Earnings	Total
Balance at January 1, 2010	14	1,562,500	-	25,746,117	**27,308,617**
Stock dividends declared and distributed	15	18,750,000	-	(18,750,000)	-
Profit		-	-	143,876,941	**143,876,941**
Balance at December 31, 2010	14	**20,312,500**	-	**150,873,058**	**171,185,558**
Stock dividends declared	15		150,000,000	(150,000,000)	-
Profit		-	-	660,266,229	**660,266,229**
Balance at December 31, 2011	14	**20,312,500**	**150,000,000**	**661,139,287**	**831,451,787**

(See Notes to Financial Statements)

KAREILA MANAGEMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

(In Philippine Peso)

	NOTES	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**940,101,773**	201,438,307
Adjustments for:			
Depreciation	10, 19	**72,497,360**	21,466,874
Finance cost	12	**35,598,906**	7,607,406
Finance income	6, 18	**(12,470,854)**	(16,444,374)
Retirement benefit expense	19	**4,389,307**	-
Operating cash flows before changes in working capital		**1,040,116,492**	214,068,213
Decrease (Increase) in operating assets:			
Trade and other receivables		**(135,223,590)**	1,080,163,825
Inventories		**(378,339,447)**	(234,593,035)
Prepayments and other current assets		**389,915,755**	328,244,562
Security deposits		**(15,453,887)**	(1,249,930)
Decrease in trade and other payables		(292,985,470)	(1,548,430,458)
Cash generated from (used in) operations		608,029,853	(161,796,823)
Income taxes paid		(76,647,290)	(656,632)
Net cash from (used in) operating activities		531,382,563	(162,453,455)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received		**12,738,639**	17,093,102
Additions to property and equipment	10	**(459,743,988)**	(432,435,741)
Net cash used in investing activities		(447,005,349)	(415,342,639)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid	12	(35,598,906)	(7,607,406)
Proceeds from borrowings	12	-	936,300,000
Net cash from (used in) financing activities		(35,598,906)	928,692,594
NET INCREASE IN CASH AND CASH EQUIVALENTS		**48,778,308**	350,896,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		546,256,764	195,360,264
CASH AND CASH EQUIVALENTS AT END OF YEAR		595,035,072	546,256,764

(See Notes to Financial Statements)

KAREILA MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

1. CORPORATE INFORMATION

Kareila Management Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 6, 2004. The principal activities of the Company are to act as managers, managing agents, consignor, concessionaire, or supplier of business engaged in the operation of resorts, hotels, supermarkets, groceries, and the like; invest in the business that it manages or of which it is the managing agent; provide management, investment and technical advice to commercial, industrial, manufacturing, and other enterprises; undertake or carry on the liquidation or reorganization of corporations, partnerships and other entities; act as business, personnel, marketing and/or human resources manager of other firms; provided, that it shall not engage in the management of funds, securities, portfolios or other similar assets. Its secondary purpose is to act as managers, managing agents, consignor, concessionaire, or supplier of business engaged in manufacturing or trading of general merchandise.

The Company is owned by Filipino individuals.

Its registered office is located at 1379 San Gregorio Street, Paco, Manila.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs with Material Effect on Amounts Reported in the Current Year (and/or Prior Years)

The following new and revised PFRSs have been applied in the current period and had materially affected the amounts reported in these financial statements. Details of other new and revised PFRSs applied in these financial statements that have had no material effect on the financial statements are set out in section 2.02.

- *Improvements to PFRS (2009)*

  Amendments to PAS 7, Statement of Cash Flows - The amendments to PAS 7 specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

2.02 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have also been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- *Improvements to PFRS (2010)* – Effective for annual periods beginning on or after January 1, 2011

  PFRS 3, *Business Combinations* - PFRS 3 (2008) was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.

  In addition, PFRS 3 (2008) was amended to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with PFRS 2 *Share-based Payment* at the acquisition date ('market-based measure').

  Amendments to PFRS 7, *Financial Instruments: Disclosures* - The amendments to PFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

  Amendments to PAS 1, *Presentation of Financial Statements* - The amendments to PAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to financial statements.

  Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Investments in Joint Ventures* – The improvements amend the transition requirements to apply certain consequential amendments arising from the 2008 PAS 27 amendments prospectively, to be consistent with the related PAS 27 transition requirements.

- PAS 24 (as revised in 2009), *Related Party Disclosures – Revised Definition of Related Parties*

  PAS 24 modifies the definition of a related party and simplifies disclosures for government-related entities. This standard is applicable for annual periods beginning on or after January 1, 2011.

- PAS 32 (Revised), *Financial Instruments: Presentation – Classification of Rights Issues*

  The amendments to PAS 32 address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. This standard is applicable for annual periods beginning on or after February 1, 2010.

- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

  It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchange swaps, and have happened with increased regularity during the financial crisis. This Interpretation will be effective for periods beginning on or after July 1, 2010.

2.03 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS to have significant impact on the financial statements.

- PFRS 7 (Revised), *Financial Instruments: Disclosures – Transfers of Financial Assets*

  The amendments to PFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

  The effective date of the amendment is July 1, 2011, with earlier application permitted.

- PFRS 9, *Financial Instruments: Classification and Measurement*

  PFRS 9, *Financial Instruments,* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

  PFRS 9 requires all recognised financial assets that are within the scope of PAS 39, *Financial Instruments: Recognition and Measurement,* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of PFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under PFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under PAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

- PFRS 10, *Consolidated Financial Statements*

The Standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The Standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. This PFRS will supersede PAS 27 *Consolidated Financial Statements and Separate Financial Statements* and SIC 12 *Consolidation –Special Purpose Entities.*

PFRS 10 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- PFRS 11, *Joint Arrangements*

The Standard requires a party to a joint arrangement to determine whether the type of joint arrangement is joint operation or joint venture, by assessing its rights and obligations arising from the arrangement.

A joint venturer is required to recognise an investment and to account for that investment using the equity method in accordance with PAS 28 *Investments in Associates and Joint Ventures*, unless the entity is exempted from applying the equity method as specified in the standard. Joint operators are required to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant PFRSs applicable to the particular assets, liabilities, revenues and expenses.

PFRS 11 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- PFRS 12, *Disclosure of Interests in Other Entities*

  The Standard applies to entities that have an interest in a subsidiary, a joint arrangement, and an associate or an unconsolidated structured entity. It benefits the users by identifying the profit or loss and cash flows available to the reporting entity and determining the value of current or future investment in the reporting entity.

  PFRS 12 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- PFRS 13, *Fair Value Measurement*

  The Standard explains how to measure fair value for financial reporting. It defines fair value as 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. It emphasizes that fair value is market-based not an entity-specific measurement; hence an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. It was developed to eliminate inconsistencies of fair value measurements dispersed in various existing PFRSs. It clarifies the definition of fair value, provides a single framework for measuring fair value and enhances fair value disclosures.

  PFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- PAS 1 *Presentation of Items of Other Comprehensive Income*

  To improve the presentation of items of OCI, the IASB amended IAS 1 to require entities to group items presented in the OCI on the basis whether they would be reclassified to (recycled to) profit or loss subsequently.

  The amendments did not address which items should be presented in the OCI and did not change the option to present OCI items either before or net of tax.

  Those amendments are effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted.

- PAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

  PAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in PAS 40, Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale.

  As a result of the amendments, SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

  The amendments are effective from January 1, 2012. Earlier application is permitted.

- PAS 19 (Amended) *Employee Benefits*

  Significant changes to this standard include removal of corridor approach; immediate recognition of past service costs; presentation of remeasurements on defined benefit plans in other comprehensive income; new recognition criteria on termination benefits; and improved disclosure requirements.

  The amended standard comes into effect for accounting periods beginning on or after January 1, 2013. Earlier application is permitted.

- PAS 27 (Revised), *Consolidated and Separate Financial Statements*

  The amendments to PAS 27 are result of the completion and issuance of a new standard on consolidation, the PFRS 10 Consolidated Financial Statements. As a result, PAS 27 will now be titled as Separate Financial Statements containing requirements relating only to separate financial statements.

  The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- PAS 28 (Revised), *Investment in Associates*

  The amendments to PAS 28 are result of the completion and issuance of a new standard on joint arrangements, the PFRS 11 Joint Arrangements. As a result, PAS 28 will now be titled as Investment in Associates and Joint Ventures incorporating requirements for joint ventures.

  The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company chose to present its financial statements using its functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets that are subsequently measured at cost or at amortized cost ,and where the purchase or sale are under a contract whose terms require delivery of such within the timeframe established by the market concerned are initially recognized on the trade date.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets include cash and cash equivalents, trade and other receivables and security deposits.

4.01.01 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

4.01.02 Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4.01.03 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the lender would not otherwise consider
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are 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 through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4.01.04 Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

4.02 Inventory

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are determined using the moving average method. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Company provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the statements of comprehensive income. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

4.03 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized 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 of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building	10 years
Furniture and fixtures	5 years
Transportation and delivery equipment	4 - 5 years
Store equipment	3 - 5 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of ten (10) years or the lease term.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.04 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than inventories and deferred tax assets, may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as an income.

4.05 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.06 Financial Liabilities and Equity Instruments

4.06.01 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as an equity in accordance with the substance of the contractual arrangements.

4.06.02 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

4.06.03 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Company's financial liabilities include trade and other payables, and loan payable.

4.06.04 Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value inclusive of directly attributable transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

4.06.05 Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.07 Employee Benefits

4.07.01 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences and non-monetary benefits.

4.07.02 Post-employment Benefits

The Company has no formal retirement plan for its qualified employees. The retirement obligations recognized are computed on the basis of the provisions of R.A. 7641. The minimum retirement pay due to covered employees is equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

"One-half month salary" includes all of the following:

a. 15 days salary based on the latest salary rate;

b. Cash equivalent of 5 days or service incentive leave (or vacation leave); and

c. One-twelfth of the 13th month pay (where the 13th month pay is the total basic salary for the last twelve months of service divided by twelve).

In measuring its defined benefit obligation, the Company includes both vested and unvested benefits. Also, the following bases were used:

- estimated future salary increases are ignored;
- future service of current employees is not considered; and
- possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits are ignored, except for mortality after service.

4.08 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.09 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

4.09.01 Sale of Goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4.09.02 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance 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 that asset's net carrying amount on initial recognition.

4.09.03 Rental Income

The Company's policy for recognition of revenue from operating lease is described in Note 4.11.01.

4.09.04 Other Income

Revenue from demonstration or sampling, end cap or palette income and miscellaneous income are recognized when earned.

4.10 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4.11.01 The Company as a Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.11.02 The Company as a Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.12 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependants of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

4.13.01 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.13.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it 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 that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.13.03 Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.14 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about Company's position at the reporting date, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.01.01 Estimating Allowances for Doubtful Accounts

The Company estimates the allowance for doubtful accounts related to its trade receivables based on assessment of specific accounts where the Company has information that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. The Company used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As of reporting periods, the Company did not recognize an allowance for doubtful account because historical experience shows that all receivables that are past due are recoverable. The Company's trade and other receivables amounted to ₱203,804,282 and ₱68,848,478 in 2011 and 2010, respectively as disclosed in Note 7.

5.01.02 Estimating the Net Realizable Value of Inventories

The Company reviews its inventory in order to identify slow-moving merchandise and generally use markdowns to clear merchandise. Additionally, the Company estimates a markdown reserves for future planned markdowns related to current inventory. If inventory exceeds customer demand for reasons of seasonal adaptation, changes in customer preference, lack of customer acceptance, competition, or if it is determined that the inventory in stock will not sell at its currently ticketed price, additional markdowns may be necessary. These markdowns may have a material adverse impact on earnings, depending on the extent and amount of inventory affected.

As of reporting periods, the net realizable values of the inventories exceed their carrying amounts, thus, no allowance for impairment losses was recognized. The Company's inventories amounted to ₱1,183,918,701 and ₱805,579,254 in 2011 and 2010, respectively as disclosed in Note 8.

5.01.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property and Equipment

The residual values, useful lives and depreciation method of the Company's property and equipment are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on Company's 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 the recognized operating expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which an Company expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there is no significant change from the previous estimates. Accumulated depreciation of property and equipment amounted to ₱94,611,059 and ₱22,113,699 as of December 31, 2011 and 2010, respectively as disclosed in Note 10. Property and equipment, net of accumulated depreciation, amounted to ₱799,398,290 and ₱412,151,662 as of December 31, 2011 and 2010, respectively, as disclosed in Note 10.

5.01.04 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of property and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment, investments and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The Company determined that there is no indication that an impairment loss has occurred on its property and equipment. As of December 31, 2011 and 2010, the carrying amount of property and equipment amounted to ₱799,398,290 and ₱412,151,662, respectively, does not exceed its recoverable amount.

5.01.06 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets and rates of compensation increase. In accordance with the generally accepted accounting principles, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

The Company has recognized retirement benefit obligation amounting to ₱4,389,307 and nil in December 31, 2011 and 2010, respectively as disclosed in Note 20. Retirement expense recognized for the years ended December 31, 2011 and 2010 amounted to ₱4,389,307 and nil, respectively as disclosed in Note 19.

6. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	2011	2010
Cash on hand	₱ **3,257,000**	₱ 3,751,000
Cash in banks	**94,674,911**	158,349,008
Money market placements	**497,103,161**	384,156,756
	₱ 595,035,072	₱ 546,256,764

The Company holds cash and cash equivalents amounting to ₱27,533,988 and ₱428,204,424 in 2011 and 2010, respectively, which are not available for use. These assets are restricted for the settlement of its obligations to PSMT Philippines, Inc. upon demand. The restricted cash and cash equivalents are presented as Restricted cash – payable to PSMT under "Prepayments and other current assets" in Note 9.

The effective interest rates on bank deposits and money market placements range from 0.50% to 4.63% in 2011 and 2010. Finance income from bank deposits and money market placements amounted to ₱12,470,854 and ₱16,444,374 in 2011 and 2010, respectively, as disclosed in Note 18.

7. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of:

	2011	2010
Trade receivables	₱ 201,944,788	₱ 62,794,812
Non-trade receivables	540,238	4,247,376
Interest receivables	887,945	1,155,730
Receivable from employees	431,311	650,560
	₱ 203,804,282	₱ 68,848,478

Trade receivables disclosed above include due from related parties as disclosed in Note 13.

The average credit period on sales of goods is 60 days. No interest is charged on trade receivables. The Company does not recognize an allowance for doubtful debts of 100% against all receivables because historical experience shows that all receivables that are past due are recoverable.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, Management believes that there is no further credit provision required to be recognized in 2011 and 2010.

Trade receivables disclosed above are past due at the end of the reporting period but against which the Company has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Aging of accounts that are past due but not impaired is as follows:

	2011	2010
1 – 30 days outstanding	₱ 102,437,208	₱ 52,699,719
31 – 60 days outstanding	2,893,026	5,482,377
61 – 90 days outstanding	35,263,576	4,612,716
	₱ 140,593,810	₱ 62,794,812

In determining the recoverability of a receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

8. INVENTORIES

The Company's inventories in 2011 and 2010 amounted to ₱1,183,918,701 and ₱805,579,254, respectively.

These inventories consist of groceries and other consumer products (canned goods, house wares, toiletries, dry goods, food products, etc.) held for sale in the ordinary course of business on wholesale/retail basis.

The cost of inventories recognized as an expense in respect of continuing operations were ₱5,430,956,629 and ₱3,841,206,641 in 2011 and 2010, respectively, as disclosed in Note 17.

9. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of the Company's prepayments and other current assets are shown below.

		2011	2010
Deferred input VAT		8,532,464	377,358
Prepaid rent		3,177,630	2,874,110
Prepaid insurance		2,302,042	1,035,460
Prepaid taxes		1,029,473	-
Restricted cash - Payable to PSMT (Note 6)	₱	27,533,988	₱ 428,204,424
Other current assets		167,080	167,080
	₱	42,742,677	₱ 432,658,432

10. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Company's property and equipment are as follows:

	Store Equipment	Furniture and Fixtures	Transportation and Delivery Equipment	Building	Leasehold Improvements	Construction in Progress	Total
January 1, 2010							
Cost	₱ 140,738	₱ 311,750	₱ 685,714	₱ 691,418	₱ -	₱ -	₱ 1,829,620
Accumulated depreciation	(62,389)	(98,721)	(485,715)	-	-	-	(646,825)
Carrying amount	78,349	213,029	199,999	691,418	-	-	1,182,795
Movements during 2010							
Balance, January 1, 2010							
Opening carrying amount	78,349	213,029	199,999	691,418	-	-	1,182,795
Additions	154,001,321	20,249,557	4,126,116	4,299,410	829,940	248,929,397	432,435,741
Depreciation and amortization (Note 19)	(18,610,767)	(1,706,526)	(581,957)	(537,432)	(30,192)	-	(21,466,874)
Carrying amount	135,468,903	18,756,060	3,744,158	4,453,396	799,748	248,929,397	412,151,662
At December 31, 2010							
Cost	154,142,059	20,561,307	4,811,830	4,990,828	829,940	248,929,397	434,265,361
Accumulated depreciation	(18,673,156)	(1,805,247)	(1,067,672)	(537,432)	(30,192)	-	(22,113,699)
Carrying amount	135,468,903	18,756,060	3,744,158	4,453,396	799,748	248,929,397	412,151,662
Movements during 2011							
Balance, January 1, 2011							
Opening carrying amount	135,468,903	18,756,060	3,744,158	4,453,396	799,748	248,929,397	412,151,662
Additions	117,371,061	20,532,615	-	240,436	256,813,643	64,786,233	459,743,988
Depreciation and amortization (Note 19)	(40,004,495)	(5,952,713)	(853,794)	(539,340)	(25,147,018)	-	(72,497,360)
Carrying amount	212,835,469	33,335,962	2,890,364	4,154,492	232,466,373	313,715,630	799,398,290
At December 31, 2011							
Cost	271,513,120	41,093,922	4,811,830	5,231,264	257,643,583	313,715,630	894,009,349
Accumulated depreciation	(58,677,651)	(7,757,960)	(1,921,466)	(1,076,772)	(25,177,210)	-	(94,611,059)
Carrying amount	₱ 212,835,469	₱ 33,335,962	₱ 2,890,364	₱ 4,154,492	₱ 232,466,373	₱ 313,715,630	₱ 799,398,290

The Company performed an impairment review and has determined that there is no indication that an impairment loss has occurred on its property and equipment.

11. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

	2011	2010
Trade payables	₱ 668,512,953	₱ 1,094,899,986
Non-trade payable	120,734,436	30,557,526
Accrued expenses	29,969,253	1,383,221
Other payables	45,090,564	30,451,943
	₱ 864,307,206	₱ 1,157,292,676

Non-trade payable pertains to liabilities of the Company to service providers (e.g. janitorial, security, and other outside services).

The components of trade payables account are as follows:

	2011	2010
Payable to suppliers	₱ 631,861,265	₱ 664,888,062
Payable to PSMT (Note 13)	27,533,988	428,204,424
Unredeemed gift certificates	9,117,700	1,807,500
	₱ 668,512,953	₱ 1,094,899,986

The components of other payables are as follows:

	2011	2010
VAT payable	₱ 35,747,519	₱ 24,623,683
Withholding tax payable – expanded	7,441,775	4,429,913
Credit card returns	559,255	793,436
SSS contribution	200,882	268,610
Security deposit	180,286	-
Withholding tax payable – compensation	154,028	108,374
HDMF loan	124,472	-
PH contribution	122,447	69,652
HDMF contribution	73,000	41,800
Salary loan	69,380	115,928
Others	417,520	547
	₱ 45,090,564	₱ 30,451,943

The average credit period on purchases of certain goods from suppliers is 60 days. No interest is charged on trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

12. BORROWINGS

In 2010, the Company acquired an unsecured loan payable from a local bank amounting to ₱936,300,000. Interest is payable and repriceable monthly at 3.75% per annum.

Finance cost related to this loan amounted to ₱35,598,906 in 2011 and ₱7,607,406 in 2010.

13. RELATED PARTY TRANSACTIONS

Nature of relationship of the Company and its related parties are disclosed below:

Related Party	Nature of Relationship
PSMT Philippines, Inc.	Has same member of the key management personnel who has control to the Company

Balances and transactions between the Company and its related parties are disclosed below:

13.01 Consignment and Concession Contract

On September 27, 2006, PSMT Philippines, Inc., referred to as the "Consignee" entered into a consignment and concession contract with the Company, the "Consignor". The Consignee is the owner and operator of four (4) hypermart (formerly PriceSmart) stores in (1) Fort Bonifacio Global City, Taguig, Metro Manila; (2) Congressional Avenue, Bago–Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Parañaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the 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 Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as are normally offered for sale by Consignee, at the selling areas of 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 amounts equivalent to five percent (5%) of the consignee's gross sales which was increased to ten percent (10%) through an amendment of the contract on January 1, 2011.

The following amounts of transactions and balances related to consignment and concession contract:

		2011		2010
Trade or volume discount given	P	**592,832,325**	P	810,247,976
Outstanding balance (presented as Trade payables in the statements of financial position) (Note 11)	P	**27,533,988**	P	428,204,424
Sales proceeds	P	**5,928,323,248**	P	4,637,441,177

13.02 Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel of the Company is set out below in aggregate for each of the categories specified in PAS 24, *Related Party Disclosures*:

		2011		2010
Short-term benefits	P	**3,204,642**	P	3,032,183
Post-employment benefits		**1,221,634**		-
	P	**4,426,276**	P	3,032,183

14. ISSUED CAPITAL

The issued capital of the Company is P20,312,500 in 2011 and 2010.

14.01 Ordinary Shares

Shown below are the details on the movements of ordinary shares.

	2011			2010		
	Shares		**Amount**	Shares		Amount
Authorized: 5,000,000 shares at P100 par value	**5,000,000**	P	**500,000,000**	250,000	P	25,000,000
Issued and fully paid						
Balance, January 1	**203,125**		**20,312,500**	15,625		1,562,500
Distributions (Note 15)	-		-	187,500		18,750,000
	203,125	P	20,312,500	203,125	P	20,312,500

Ordinary shares carry one vote per share and a right to dividends.

15. DIVIDENDS

On July 2, 2010, the Company declared the sum of ₱18,750,000 from its unrestricted earnings as of December 31, 2009 as dividend payable to the stockholders in form of stocks. Dividend per share is ₱1,200 per share.

The Company declared stock dividends on July 1, 2011 to its stockholders amounting to ₱150,000,000 from its unrestricted retained earnings as of December 31, 2010.

16. REVENUES

An analysis of the Company's revenue for the year from continuing operations is as follows:

		2011		2010
Sales	₱	**6,510,094,898**	₱	4,093,382,325
Concession income		**110,415,582**		32,022,830
Membership income		**25,828,199**		12,338,593
	₱	**6,646,338,679**	₱	4,137,743,748

Concession income pertains to commission on consigned inventories of third party known as "concessionaire".

17. COST OF SALES

Below is an analysis of the Company's cost of sales from continuing operations:

		2011		2010
Inventory, January 1 (Note 8)	₱	**805,579,254**	₱	570,986,219
Net purchases		**5,809,296,076**		4,075,799,676
Cost of goods available for sale		**6,614,875,330**		4,646,785,895
Inventory, December 31 (Note 8)		**(1,183,918,701)**		(805,579,254)
	₱	**5,430,956,629**	₱	3,841,206,641

18. OTHER INCOME

Components of other income are as follows:

		2011		2010
Merchandising support income	₱	**36,652,369**	₱	-
Endcap/Pallet income		**14,977,902**		10,671,429
Finance income (Note 6)		**12,470,854**		16,444,374
Demo/Sampling income		**5,362,179**		3,956,075
Rentals (Note 21)		**437,937**		-
Non-member fee		**38,378**		47,473
Miscellaneous income		**3,115,287**		5,882,695
	₱	**73,054,906**	₱	37,002,046

19. OPERATING EXPENSES

The account is composed of the following operating expenses:

		2011		2010
Selling and marketing				
Salaries and wages (Note 20)	₱	**45,741,721**	₱	32,153,177
Marketing		**15,526,002**		6,808,819
Store supplies		**13,863,264**		4,971,433
SSS, Philhealth and HDMF contribution (Note 20)		**3,299,565**		2,219,950
Employees' benefits and allowances (Note 20)		**957,848**		6,699,308
		79,388,400		52,852,687
General and administrative				
Depreciation (Note 10)		**72,497,360**		21,466,874
Rent (Note 21)		**51,765,201**		5,771,744
Communication, light and water		**30,576,727**		1,027,505
Representation and entertainment		**18,634,594**		25,150,511
Taxes and licenses		**8,341,104**		1,906,908
Traveling		**5,283,960**		5,161,224
Retirement expense (Note 20)		**4,389,307**		-
Office supplies		**3,895,482**		2,746,887
Repairs and maintenance		**3,732,013**		987,307
Insurance		**1,636,356**		320,882
Fuel and oil		**320,865**		158,713
Professional fee		**263,246**		532,188
Transportation		**233,834**		138,709
Preventive maintenance		**50,893**		16,071
Donations and contributions		**10,000**		250,000
		201,630,942		65,635,523
Other operating expenses				
Janitorial services		**17,391,817**		470,488
Security services		**7,952,169**		708,219
Bank charges		**1,550,121**		693,262
Miscellaneous		**4,822,828**		4,133,261
		31,716,935		6,005,230
	₱	**312,736,277**	₱	124,493,440

20. EMPLOYEE BENEFITS

20.01 Short-term Employee Benefits

Short-term employee benefits expense comprised:

		2011		2010
Salaries and wages	P	**42,549,979**	P	30,055,419
SSS, Philhealth and HDMF contributions (Note 19)		**3,299,565**		2,219,950
13th month pay		**3,191,742**		2,097,758
Other short-term employee benefits (Note 19)		**957,848**		6,699,308
	P	**49,999,134**	P	41,072,435

20.02 Post-employment Benefits

The Company estimates retirement benefit obligations to its qualified employees in 2011 and 2010 amounted to P4,389,307 and nil, respectively, on the basis of the provisions of R.A. 7641 as discussed in Note 4.

21. OPERATING LEASE AGREEMENTS

21.01 The Company as a Lessor

Operating lease relates to the lease by Metropolitan Bank and Trust Company of four (4) square meter area of building located at Ouano Avenue corner E.O. Perez St., Subangdaku, Mandaue City, Cebu, to be used as an offsite of an automated teller machine. The term of the lease is two (2) years which began on January 1, 2011 and will expire on December 31, 2012, renewable upon mutual agreement of the parties. The Company recognized rent income which amounted to P437,937 and nil in 2011 and 2010, respectively as disclosed in Note 18.

At reporting date, the Company had outstanding commitments for future minimum lease collections under non-cancelable operating leases, which fall due not later than one year amounting to P96,000 and nil in 2011 and 2010, respectively.

21.02 The Company as a Lessee

Operating leases relate to leases of warehouses with lease terms of between one (1) to ten (10) years. Operating lease payments represent rentals payable by the Company for warehouses. Leases are negotiated for an average term of one (1) year.

In 2010, the Company entered into two (2) new lease contracts with KMC Realty Corporation and Cosco Prime Holdings, Inc. Under the lease contract with KMC Realty Agreement, the Company is leasing a warehouse located at A. Correa Extension, Paco, Manila for a period of five (5) years renewable for another year upon mutual agreement of parties. The contract with Cosco Prime Holdings Inc., is a lease of commercial units located along Cosco Building, Aurora Blvd., Cor. Gen Roxas St., Araneta Center, Cubao, Quezon City with a term of ten (10) years renewable only upon written agreement of the parties under terms and conditions mutually agreed upon by them, provided that the Company shall propose to the Lessor in writing its desired renewal at least ninety (90) days prior to the expiration of the term.

In 2011, the Company entered into a lease contract with 118 Holdings, Inc. The lease contract provides the Company the use of two parcels of land in Mandaue City, Metru Cebu containing an aggregate area of 23,253 square meter owned by 118 Holdings, Inc. The term of the lease is twenty (25) years renewable upon mutual agreement of the parties.

Other lease contracts entered by the Company during the year were warehouses used for storage of inventories. These leases are renewable annually.

The rent expense of the Company for the years ended December 31, 2011 and 2010 amounted to P51,765,201 in 2011 and P5,771,744 in 2010 as disclosed in Note 19.

At reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancelable operating leases, which fall due as follows:

		2011		2010
Not later than one year	P	**33,648,228**	P	4,939,859
Later than one year but not later than five years		**127,480,946**		19,007,990
Later than five years		**839,103,625**		5,704,664
	P	1,000,232,799	P	29,652,513

22. INCOME TAXES

22.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

		2011		2010
Current tax expense	₱	**284,921,771**	₱	54,991,675
Deferred tax expense (benefit)		**(5,086,227)**		2,569,691
	₱	**279,835,544**	₱	57,561,366

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2011 and 2010 follows:

		2011		2010
Accounting profit	₱	**940,101,773**	₱	201,438,307
Tax expense at 30%		**282,030,532**		60,431,492
Finance income subjected to final tax		**(3,741,256)**		(4,933,312)
Non–deductible expenses		**1,546,268**		1,660,768
Derecognition of prior year DTA		-		402,418
	₱	**279,835,544**	₱	57,561,366

23. DEFERRED TAX ASSET

The components of the Company's deferred tax assets and their respective movements are as follows:

Year Incurred		**Accrued Retirement Benefits**		**Accrued Rent Expense**		**Total**
Balance, January 1, 2011	₱	-	₱	-	₱	-
Recognized in profit or loss		1,316,792		3,769,435		5,086,227
Balance, December 31, 2011	₱	**1,316,792**	₱	**3,769,435**	₱	**5,086,227**

24. FAIR VALUE MEASUREMENTS

24.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of December 31, 2011 and 2010 are presented below:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	P 595,035,072	P 595,035,072	P 546,256,764	P 546,256,764
Trade and other receivables	203,804,282	203,804,282	68,848,478	68,848,478
Restricted cash	27,533,988	27,533,988	428,204,424	428,204,424
Security deposits	16,703,817	5,937,991	1,249,930	1,417,010
	P 843,077,159	P 832,311,333	P 1,044,559,596	P 1,044,726,676
Financial Liabilities:				
Trade and other payables	P 864,307,206	P 864,307,206	P 1,159,258,962	P 1,159,258,962
Loan payable	936,300,000	936,300,000	936,300,000	936,300,000
	P 1,800,607,206	P 1,800,607,206	P 2,095,558,962	P 2,095,558,962

Due to short–term nature of cash and cash equivalents, trade and other receivables, trade and other payables and loan payable, their carrying amounts approximate their fair values.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The main purpose of the Company's financial instruments is to fund its operations and capital expenditure.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company's Board of Directors reviews and approves the policies for managing each of these risks. There is a regular evaluation of projected and actual cash flow information and continuous assessment of the conditions in the financial markets for opportunities to pursue for fund-raising initiatives.

25.01 Market Risk Management

25.01.01 Interest Rate Risk Management

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 10% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

- profit for the year ended December 31, 2011 and 2010 would decrease/ increase by ₱4,806,976 and ₱883,697, respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings; and

The Company's sensitivity to interest rates has increased during the current period mainly due to borrowings.

25.02 Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

The credit risk on liquid funds is limited because counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

		2011		2010
Cash in banks and cash equivalents (Note 6)	₱	**591,778,072**	₱	542,505,764
Trade and other receivables (Note 7)		**203,804,282**		68,848,478
Restricted cash (Note 9)		**27,533,988**		428,204,424
Security deposits (Note 24)		**16,703,817**		1,417,010
	₱	**839,820,159**	₱	1,040,975,676

The Company does not hold any collateral or other credit enhancements to cover this credit risk.

The table below shows the credit quality by class of financial assets of the Company:

	2011			
	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents	P 591,778,072	P -	P -	P 591,778,072
Trade and other receivables	203,360,607	443,675	-	203,804,282
Restricted cash	27,533,988	-	-	27,533,988
Security deposits	16,703,817	-	-	16,703,817
	P 839,376,484	P 443,675	P -	P 839,820,159

	2010			
	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents	P 542,505,764	P -	P -	P 542,505,764
Trade and other receivables	1,155,730	650,560	-	1,806,290
Restricted cash	428,204,424	-	-	428,204,424
Security deposits	1,417,010	-	-	1,417,010
	P 973,282,928	P 650,560	P -	P 973,933,488

The credit quality of the financial assets was determined as follows:

Loans and receivables

- High grade – These are receivables from counterparties with no default in payment.
- Medium – These are receivables from counterparties with up to three defaults in payment.
- Low – These are receivables from counterparties with more than three defaults in payment.

25.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company has non-derivative financial liabilities and financial assets with remaining contractual maturities of less than one (1) year.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted Average Effective Interest Rate		Within 1 Year
December 31, 2011			
Trade and other payables	-	₱	**864,307,206**
Loans payable	3.75%		**936,300,000**
		₱	**1,800,607,206**

	Weighted Average Effective Interest Rate		Within 1 Year
December 31, 2010			
Trade and other payables	-	₱	1,157,292,676
Loans payable	4.50%		936,300,000
		₱	2,093,592,676

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate		Within 1 Year		Over 5 Years		Total
December 31, 2011							
Cash and cash equivalents	0.5%-4.63%	P	591,778,072	P	-	P	591,778,072
Trade and other receivables	-		203,804,282		-		203,804,282
Restricted cash	2.75%-4.63%		27,533,988		-		27,533,988
Security deposits	-		16,703,817		-		16,703,817
		P	839,820,159	P	-	P	839,820,159

	Weighted Average Effective Interest Rate		Within 1 Year		Over 5 Years		Total
December 31, 2010							
Cash and cash equivalents	.5%-3.2%	P	542,505,764	P	-	P	542,505,764
Trade and other receivables	-		68,848,478		-		68,848,478
Restricted cash	1.8%-3.2%		428,204,424		-		428,204,424
Security deposits	-		167,080		1,249,930		1,417,010
		P	1,039,725,746	P	1,249,930	P	1,040,975,676

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2009.

Pursuant to Section 43 of the Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus plus profits in excess of 100% of their paid-up capital stock, except: 1) when justified by definite corporate expansion projects or programs approved by the board of directors; or 2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or 3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

In compliance with this, the Management plans to declare stock dividends in 2012.

The capital structure of the Company consists of debt and equity of the Company (comprising issued capital, stock dividends and retained earnings as disclosed in Notes 14 and 15).

The Company's risk management committee reviews the capital structure of the Company on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company has a target gearing ratio of 1:1 determined as the proportion of net debt to equity.

The gearing ratio at end of the reporting period was as follows:

		2011		2010
Debt	₱	**2,010,847,972**	₱	2,095,558,962
Cash and cash equivalents		**591,778,072**		542,505,764
Net Debt		**1,419,069,900**		1,553,053,198
Equity		**834,524,302**		171,185,558
Net debt to equity ratio		**1.70:1**		9.07:1

Debt is defined as long- and short-term borrowings while equity includes all capital and reserves of the Company that are managed as capital.

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on March 2, 2012.

28. SUPPLEMENTARY INFORMATION UNDER RR 15 – 2010

The Bureau of Internal Revenue (BIR) has released a new revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

28.01 Taxes, Duties and Licenses Paid or Accrued

The details of the Company's taxes, duties and licenses fees paid or accrued in 2011 are as follows:

28.01.01 Output VAT

The Company is a VAT-registered Company with VAT output declaration of ₱817,250,153 for the year based on the amount reflected in the revenue.

28.01.02 Input VAT

An analysis of the Company's input VAT claimed during the year is as follows:

Balance, January 1	**₱**	-
Current year's domestic purchases/payments for:		
Goods other than for resale or manufacture		652,826,657
Capital goods not subject to amortization		445,192
Services lodged under other accounts		38,293,880
VAT on importation of goods (Note 60.01.03)		39,805,686
Total available input tax	**₱**	**731,371,415**
Claims for tax credit/refund and other adjustments		642,707,991
Balance, December 31	₱	88,663,424

28.01.03 VAT on Importation of Goods

Details on the Company's input VAT claimed on importation of goods during the year are as follows:

Custom duties	₱	37,202,097
Dutiable value		294,511,953
Total landed cost		331,714,050
Input VAT	₱	39,805,686

28.01.04 Other Taxes and Licenses

An analysis on the Company's other taxes and licenses and permit fees paid or accrued during the year is as follows:

Operating expenses:		
Permit fees	₱	917,877
Residence or community tax		23,115
Others		7,400,112
	₱	8,341,104

28.01.05 Withholding Taxes

An analysis on the Company's withholding taxes paid or accrued during the year is as follows:

		2011
Expanded withholding taxes	₱	56,610,644
Withholding tax on compensation and benefits		2,561,510
	₱	59,172,154

The expanded withholding taxes are derived from rentals, contractor/sub – contractor services, payments to local supplier of goods and services and professional fees.

29. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 19 – 2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said Regulation:

29.01 Sales

An analysis of the Company's sales/revenues/receipts/fees for the taxable year is as follows:

Revenue from sale of goods	₱	6,626,284,446
Revenue from rendering of services		25,828,199
Total		6,652,112,645
Less: Sales adjustments		5,773,966
	₱	6,646,338,679

29.02 Cost of Sales

The following is an analysis of the Company's cost of sales for the taxable year:

Inventory, January 1	₱	805,579,254
Net purchases		5,809,296,076
Cost of goods available for sale		6,614,875,330
Inventory, December 31		(1,183,918,701)
	₱	5,430,956,629

29.03 Non-Operating and Taxable Other Income

The following is an analysis of the Company's non-operating and taxable other income for the taxable year:

Merchandising support income	₱	36,652,369
Endcap/ pallet income		14,977,902
Demo/ sampling income		5,362,179
Rent income		437,937
Non-member fee		38,378
Miscellaneous income		3,115,287
	₱	60,584,052

29.04 Itemized Deductions

The following is an analysis of the Company's itemized deductions for the taxable year:

Selling and marketing		
Salaries and wages	₱	45,741,721
Marketing		15,526,002
Store supplies		13,863,264
SSS, Philhealth and HDMF		3,299,565
Employees' benefits and allowances		957,848
		79,388,400
General and administrative		
Depreciation and amortization		72,497,360
Rent		39,200,419
Communication, light and water		30,576,727
Representation and entertainment		18,634,594
Taxes and licenses		8,341,104
Traveling		5,283,960
Office supplies		3,895,482
Repairs and maintenance		3,732,013
Insurance		1,636,356
Fuel and oil		320,865
Professional fee		263,246
Transportation		233,834
Preventive maintenance		50,893
		184,666,853
Other operating expenses		
Janitorial services		17,391,817
Security services		7,952,169
Bank charges		1,550,121
Miscellaneous		4,822,828
		31,716,935
Finance cost		30,454,679
	₱	326,226,867