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)

1 2 | 3 1

Month | **Day**

SEC FORM 20 IS

(Form Type)

0 5 | 0 8

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION SHEET

PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

Check the appropriate box: [√] Preliminary Information Statement [ ] Definitive Information Statement [ ] 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: **22 November 2012, 2 PM, at Acacia Hotel, Alabang, Muntinlupa City**
Approximate date on which the Information Statement (including Proxy Form and other solicitation materials) are first to be sent or given to security holders – **29 October 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 17 October 2012 Special 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 3 October 2012– **2,766,406,250 (₱1.00 per share)** Common shares outstanding: **2,766,406,250 (₱1.00 par value)** No. of Votes Entitled: **One (1) vote per share** PPCI has no outstanding debt as of **31 July 2012**
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**

NOTICE OF SPECIAL STOCKHOLDERS' MEETING

To All Stockholders:

Notice is hereby given that PUREGOLD PRICE CLUB, INC. will conduct a **SPECIAL STOCKHOLDERS' MEETING** on November 22, 2012, 2 pm, at the Acacia Hotel, Alabang, Muntinlupa City with the following agenda:

1. Call to order
2. Certification of service of notice and existence of quorum
3. Presentation of the audited financial statements for the period ended 31 July 2012
4. Approval of the Merger of Puregold Price Club, Inc., Puregold Junior Supermarket, Inc. and Gant Group of Companies
5. Approval of the Revised Stock Option Plan
6. Other Matters
7. Adjournment

Stockholders of record as of the close of business on October 22, 2012 are entitled to notice of, and to vote at such meeting. The stock and transfer book of the company will be closed from November 8, 2012 to November 21, 2012.

IF YOU DO NOT EXPECT TO ATTEND THE 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 **NOVEMBER 12, 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

PUREGOLD PRICE CLUB INC.

No. 900 Romualdez St., Paco, Manila
(632) 822-8801 to 04; (632) 523-3055
Websitve: 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: **22 November 2012**
Time of Meeting: **2:00 PM**
Place of Meeting: **Acacia Hotel, Alabang, Muntinlupa City**
Principal Office and Mailing Address:

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

(b) This Information Statement and the accompanying Proxy Forms will be first sent to stockholders on or before 29 October 2012 in accordance with the Company by laws and the Securities and Regulation Code.

Item 2. Dissenter's Right of Appraisal

The ratification of the approval of the Board of Directors approving the merger of Puregold Price Club, Inc., Puregold Junior Supermarket, Inc. and Gant Group of Companies[1] may give rise to a possible exercise by the security holders of their appraisal right under Title X of the Corporation Code of the Philippines.

A stockholder who shall have voted against the aforesaid proposed action (the "dissenting stockholder") may exercise his appraisal right by making a written demand on the Company within 30 days after the Stockholders' Meeting date. Failure to make the demand within the

[1] Under the Gant Group of Companies are the following corporate entities: S-CV Corporation, Super Retail VIII Corporation, Super Retail XV Corporation, Gant Diamond III Corporation, Super Agora X Corporation, Gant Diamond Corporation and Lynserv Corporation.

prescribed period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay the dissenting stockholder upon surrender of the stock certificates representing his shareholdings in the Company based on the fair value thereof as of the day prior to the date of the Stockholders' Meeting, excluding any appreciation or depreciation in anticipation of such corporate action, provided that no payment shall be made to the dissenting stockholder unless the Company has unrestricted retained earnings to cause such payment.

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

(a) No current director or officer nor any associate thereof of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon other than the Stock Option Plan.

(b) No director of the Company has given information that he intends to oppose any action to be taken by the Company at the meeting.

(B) CONTROL AND COMPENSATION INFORMATION

Item 4.Voting Securities and Principal Holders Thereof

(a) As of October 22, 2012, the Company has the following outstanding shares of common stock:

Title of Class	No. of Shares Outstanding
Common Shares	**2,766,406,250**

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, October 22, 2012, the Company's outstanding capital stock is 2,766,406,250 shares. Each share is entitled to one (1) vote.

(b) Only holders of the Company's stock of record at the close of business on October 22, 2012 are entitled to notice of, and to vote at, the Special Stockholders' Meeting.

(c) There would be no election of directors in this Special Stockholders' Meeting.

(d) Security Ownership of Certain Record and Beneficial Owners of more than 5% as of October 22, 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:

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[2]	Filipino	1,993,059,665	72%
Common	PCD Nominee Company 37/F Tower 1 Enterprise Center 6766 Ayala Ave, Makati	Stockholder	Various[3]	Non-Filipino	773,346,585	28%

(e) Security Ownership of directors and management as of October 22, 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	870,939,301	31.48%
Common	Susan P. Co	Direct	Filipino	736,253,810	26.61%
Common	Leonardo B. Dayao	Direct	Filipino	739,925	0.0369%
Common	Ferdinand Vincent P. Co	Direct	Filipino	110,326,754	3.99%
Common	Pamela Justine P. Co	Direct	Filipino	110,326,754	3.99%
Common	Edgardo G. Lacson	Direct	Filipino	1	.00000%
Common	Marilyn V. Pardo	Direct	Filipino	1	.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.

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

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

(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. Compensation Plans

(a) Stock Option Plan

There is no other type of compensation plan, except as stated above, other than the Stock Option Plan.

The material details of the Stock Option Plan are as follows:

1. The Company will allocate five percent (5%) of its authorized but unissued capital stock as Stock Option Plan which will be granted to officers starting from the (a) 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 (b) Regular employees of the Company for atleast a period of five years (c) And those recommended by the Committee to be eligible to receive an Option under this Plan.

2. The employee who may avail of the plan shall be allocated shares of up to four (4) 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.

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

4. The employee has the option to pay through salary deduction the purchase price within a period of four (4) years.

5. Tax in excess of AMP is for the account of the employee . Shares can only be transferred in the name of the employee/grantee upon full payment, voting trust in the meantime shall be in favor of the Chairman. However, grantees are entitled to cash and stock dividends.

6. The Chief Executive Officer, four highest paid employees, all other current executive officers, including directors of the Company and

all qualified employees may only avail up to the limit as stated above or as may be recommended by the Compensation Committee.

7. 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 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.

Item 6. Financial and Other Information

The Audited Financial Statements and schedules as of July 31, 2012 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 A) attached hereto.

Item 7. Mergers, Consolidations, Acquisitions and Similar Matters

(a) At the meeting of the Board of Directors held on August 14, 2012, the Board approved, subject to approval of the stockholders and requirements of the government regulatory bodies, the merger of the Company, Puregold Junior Supermarket, Inc. and Gant Group of Companies. Rationale given are as follows:

- Facilitate inventory management
- Simplified reporting to government agencies
- Efficient cash management
- Flexibility in store format

Mr. Lucio L. Co, Chairman, and/or Mr. Leonardo B. Dayao, President, were authorized by the Board to represent the Company and be the signatory to all documents that may be needed to give effect to the plan of merger.

(b) Companies to be merged are as follows:

1. Name, address and telephone numbers:

(a) Puregold Price Club, Inc.
No. 900 Romualdez St., Paco, Manila
Tel Nos. (632) 822-8801 to 04; (632) 523-3055

(b) Puregold Junior Supermarket, Inc.
No. 900 Romualdez St., Paco, Manila
Tel. Nos. (632) 822-8801 to 04; (632) 523-3055

(c) Gant Group of Companies, Inc.
704 Rizal Avenue Extension, Caloocan City
Tel No. 524-4451

(d) S-CV Corporation
Lot 3, Block 3, Quezon Avenue, San Isidro, Angono, Rizal
Tel. No. 524-4451

(e) Super Retail VIII Corporation
Unishoppe Building, M.L. Quezon Avenue,
San Isidro, Angono, Rizal
Tel. No. 524-4451

(f) Super Retail XV Corporation
Lot 20, Block 10 Batasan Road, Batasan Hills, Quezon City
Tel. No. 524-4451

(g) Gant Diamond III Corporation
226 Bayan-Bayan Avenue, Concepcion I, Marikina City
Tel. No. 524-4451

(h) Super Agora X Corporation
3903 Cagayan Valley Road, Tabang, Plaridel, Bulacan
Tel. No. 524-4451

(i) Gant Diamond Corporation
704 Rizal Avenue Extension, Caloocan City
Tel. No. 524-4451

(j) Lynxserve Corporation
General Luna St., Brgy. Ususan, Taguig City
Tel. No. 524-4451

2. General Nature of business

Puregold Junior Supermarket, Inc. is a subsidiary of the Company since July 2010. It is also engaged in the business of supermarket operation. It has at present thirty two (32) branches located at the following:

a. M.L. Quezon Avenue cor. P. Oldan, Antipolo, Rizal
b. 4266 McArthur Highway, Balibago, Angeles City, Pampanga
c. Doña Soledad Avenue, Brgy. Don Bosco, Betterliving, Parañaque City
d. Aguirre St. cor. Kyoto St., BF Homes, Parañaque City
e. 286 Blumentritt St., Sta. Cruz, Manila
f. Bocobo St. corner A. Flores St., Ermita, Manila
g. G/F Carmell Mall, Jose Yulo Sr. Blvd., Canlubang, Calamba City, Laguna
h. Brgy. Old Balara, Diliman, Commonwealth Ave., Quezon City
i. Holy Spirit Avenue, Don Antonio Heights, Brgy. Holy Spirit, Quezon City
j. Brgy. Manggahan, Gen. Trias, Cavite
k. Juan Luna St., Tondo, Manila
l. Libertad St. corner Taft Avenue, Pasay City
m. National Highway, Brgy. Batong Malake, Los Baños, Laguna
n. Brgy. Concepcion, Marikina City
o. Scout Borromeo St. corner Mother Ignacia Ave.
p. Brgy. South Triangle, Quezon City
q. West Zamora St., Pandacan, Manila
r. Block 1 Lot 5 Brgy. Mayapa, Parian, Calamba City, Laguna
s. 718 Quezon Avenue cor. G. Araneta Avenue, Quezon City
t. Gonzalo Puyat St. corner Sta. Cruz, Manila
u. Berville Wet Market, Bo. San Dionisio, Parañaque City
v. G/F Savers Mall, McArthur Highway, Dolores, San Fernando, Pampanga
w. Gen. Luna St., Brgy. Poblacion, San Juan, Batangas
x. G/F Starmall EDSA corner Shaw Boulevard, Mandaluyong City
y. G/F Victory Town Center, Bagong Buhay Avenue Bagong Buhay B, City of San Jose del Monte, Bulacan
z. Doña Julia Vargas Avenue corner Bank Drive Avenue,Ortigas Center, Mandaluyong City
aa. Olivarez Complex, Gen. Emilio Aguinaldo Highway, Tagaytay City
bb. Bagumbayan, Tanauan, Batangas
cc. 53 West Avenue, Brgy. Paltok, Quezon City, West Avenue, Brgy. Sta. Cruz, Quezon City
dd. CV Starr Avenue, Philamlife Village, Pamplona 2, Las Piñas City
ee. Quirino Avenue corner Alabang-Zapote Road, Las Piñas City
ff. Alabang-Zapote Road, Las Piñas City

Gant Group of Companies, Inc. is primarily a holding company with power to purchase, acquire, sell, assign, mortgage, pledge, transfer real and personal property. It is the major stockholder of the following companies: S-CV Corporation, Super Retail VIII Corporation, Super Retail XV Corporation, Gant Diamond Corporation, Gant Diamond III Corporation, Superagora X Corporation, and Lynxserve Corporation.

The primary activity of these companies is to sell, offer for sale, market, distribute, import, acquire, or generally trade goods, wares, merchandise, commodities and products of any kind and to engage in sale of retail and wholesale merchandise.

Gant Group of Companies, Inc. owns the trademark "Parco Supermarket" and it operates nineteen (19) supermarket branches located at:

a. 704 Rizal Avenue Extension, Grace Park, Caloocan City
b. Quezon Avenue Times Street, Quezon Avenue, Quezon City
c. 134 Del Monte Avenue corner Cordillera St., Sta. Mesa Heights, Quezon City
d. 226 Bayan-Bayanan Avenue, Concepcion I, Marikina City
e. Aliw Cinema Complex, Calvario, Meycauayan, Bulacan
f. 126 R. Jabson cor. C.M. Cruz St., Malinao, Pasig City
g. Unishoppe Bldg., M.L. Quezon Avenue, Brgy. San Pedro, Angono, Rizal
h. 346 Rizal Avenue, Brgy. San Juan, Taytay, Rizal
i. Lot 2 J.P. Rizal corner Korea St., Nangka, Marikina City
j. 3903 Cagayan Valley Road, Tabang, Plaridel, Bulacan
k. J. Aguilar Avenue, Pulang Lupa Dos, Las Piñas City
l. Gen. Luna St., Brgy. Ususan, Taguig City
m. Lot 20 Blk 10 Batasan Road, Batasan Hills, Quezon City
n. 375 C. Mercado St., Tuktukan, Guiguinto, Bulacan
o. P. Oliveros corner Gen. Luna corner Martinez St., Antipolo City
p. M.L. Quezon Avenue, San Isidro, Angono, Rizal
q. 76 Tandang Sora Avenue, Tandang Sora, Quezon City
r. Lot 3A Block 2 Old Sauyo Road, Brgy. Sauyo, Novaliches, Quezon City
s. 250 M.L. Quezon St., Hagonoy, Taguig City

3. Dividends in arears or defaults

There is no dividends in arrears or defaults in principal or interest in respect of any security of Company as a result of the proposed consolidation.

4. Net Sales, Operating Revenues, Long Term Obligations

	Net Sales		Net Income (Loss)		Long-term Obligations	
	CY2011	CY2010	CY2011	CY2010	CY2011	CY2010
			(In Millions)			
Puregold Price Club, Inc.	34,293.18	27,626.71	1,365.89	483.89	661.41	506.73
Puregold Junior Supermarket, Inc.	4,694.70	2,390.36	179.10	27.30	78.69	40.11

	Net Sales		Net Income (Loss)		Long-term Obligations	
	FY JUNE 2012 [4]	FY JUNE 2011	FY JUNE 2012 [4]	FY JUNE 2011	FY JUNE 2012 [4]	FY JUNE 2011
			(In Millions)			
Gant Group of Companies Incorporated [5]	-	-	16.22	(0.19)	-	-
Gant Diamond Corporation	837.30	808.52	(3.71)	(0.15)	-	1.64
Gant Diamond III Corporation	1,200.86	1,288.18	0.38	5.24	0.06	0.53
Super Retail VIII Corporation	929.07	914.40	(6.71)	(0.81)	0.06	0.12
Super Retail XV Corporation	287.95	67.26	(5.81)	(1.59)	-	-
Superagora X Corporation	651.00	529.33	(8.62)	(3.43)	-	0.01
S-CV Corporation	33.82	8.85	(11.96)	(3.59)	-	-
Lynxserv Corporation	4.48	0.33	0.62	(0.58)	-	-

5. Book value per share, cash dividends declared per share, income (loss) per share from continuing operations

	Book Value Per Share [1]		Cash Dividend Per Share [2]		Earnings Per Share [3]	
	CY2011	CY2010	CY2011	CY2010	CY2011	CY2010
Puregold Price Club, Inc.	5.69	1.60	-	-	0.85	0.38
Puregold Junior Supermarket, Inc.	488.42	173.62	-	-	358.20	72.81

	Book Value Per Share [1]		Cash Dividend Per Share [2]		Earnings Per Share [3]	
	FY JUNE 2012 [4]	FY JUNE 2011	FY JUNE 2012 [4]	FY JUNE 2011	FY JUNE 2012 [4]	FY JUNE 2011
Gant Group of Companies Incorporated [5]	130.88	587.76	-	-	31.25	(2.14)
Gant Diamond Corporation	63.46	475.58	200.00	-	(74.11)	(3.06)
Gant Diamond III Corporation	117.31	183.56	69.57	-	3.31	45.60
Super Retail VIII Corporation	(26.98)	227.14	120.00	-	(134.12)	(16.21)
Super Retail XV Corporation	(47.99)	68.24	-	-	(116.23)	(31.76)
Superagora X Corporation	(216.81)	(44.48)	-	-	(172.33)	(68.54)
S-CV Corporation	(55.55)	26.62	-	-	(119.63)	(35.92)
Lynxserv Corporation	102.47	15.18	-	-	41.09	(38.62)

1 Total Equity/Weighted Average Common Shares Outstanding
2 Cash Dividend/Total Common Shares Outstanding
3 Net Income/Weighted Average Common Shares Outstanding
4 Financial data used are based on June 2012 unaudited balances
5 Pertains only to Parent Company, financial data used does not include the consolidated balances of the Subsidiaries.

6. Regulatory requirement

The requirements of the the regulatory body specifically the Securities and Exchange Commission shall be complied with so their approval on the transaction may be obtained. The process shall commence upon stockholders' approval of the Plan of Merger.

7. Past, Present, or Proposed Material Arrangement

In July 2010, Puregold Junior Supermarket, Inc. became a subsidiary of the Company owning 99% of its outstanding capital stock. Since then, the Company and Puregold Junior Supermarket, Inc. have common key management personnel.

The Company acquired Gant Group of Companies on May 31, 2012. Since then, the Company operates all the stores of Gant Group of Companies as listed above.

D. OTHER MATTERS

Item 8. Action with Respect to Reports:

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

1. Merger of Puregold Price Club, Inc., Puregold Junior Supermarket, Inc., and Gant Group of Companies.

2. Revised Stock Option Plan. The revised Stock Option Plan now includes all employees who have rendered a continous five (5) years of service and the maximum amount of shares that may be granted is now equivalent to four (4) months of salary instead of only three (3) months. The Plan also covers executive officers and directors of the Company subject to limit as provided or as may be sanctioned by the Compensation Committee.

Item 9. 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 10. 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.

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 and the external auditor Manabat Sanagutin & Co, (KPMG).

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 _____th day of October 2012.

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 Special Stockholders' Meeting of PUREGOLD PRICE CLUB, INC. to be held on **November 22, 2012, 2:00 p.m. at the Acacia Hotel, Alabang, Muntinlupa City** and at any postponements or adjournments thereof.

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

Corporate Matters:

	FOR	AGAINST	ABSTAIN
APPROVAL OF THE MERGER OF PUREGOLD PRICE CLUB, INC., PUREGOLD JUNIOR SUPERMARKET, INC. AND GANT GROUP OF COMPANIES			
APPROVAL OF THE REVISED STOCK OPTION PLAN			

____
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.

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 key performance indicators of the Company are as follows:

			December 31		June 30
	2011	2010	2009	2012	2011
Current Ratio (Current Assets/Current Liabilities)	1.12:1	0.72:1	0.91:1	1.18:1	0.71:1
Current Assets	7,448,864,183	5,415,912,091	9,915,706,793	5,919,412,921	4,015,657,229
Current Liabilities	6,628,729,935	7,529,054,486	10,867,025,696	5,021,360,359	5,688,383,001
Asset to Equity Ratio (Total Asset/Total Equity)	1.79:1	4.94:1	9.85:1	1.22:1	3.25:1
Total Assets	16,679,676,291	10,123,718,135	12,467,859,769	31,828,935,963	8,981,305,897
Total Equity	9,311,638,970	2,047,822,435	1,265,534,974	26,021,145,323	2,764,467,887
Debt to Equity Ratio (Total Liabilities/Total Equity)	0.79:1	3.94:1	8.85:1	0.22:1	2.25:1
Total Liabilities	7,368,037,321	8,075,895,700	11,202,324,797	5,807,790,640	6,216,838,010
Stockholders Equity	9,311,638,970	2,047,822,435	1,265,534,973	26,021,145,323	2,764,467,887
Net Debt to Equity (Total Liabilities-Cash-Investments/Total Equity)	0.58:1	3.03:1	7.94:1	0.16:1	2.12:1
Net Liabilities	5,388,869,566	6,214,159,527	10,053,930,782	4,134,850,722	5,871,154,657
Stockholders Equity	9,311,638,970	2,047,822,435	1,265,534,973	26,021,145,323	2,764,467,887

Equity to Debt Ratio (Total Equity/Total Liabilities)	1.26:1	0.25:1	0.11:1	4.48:1	0.44:1
Stockholders Equity	9,311,638,970	2,047,822,435	1,265,534,973	26,021,145,323	2,764,467,887
Total Liabilities	7,368,037,321	8,075,895,700	11,202,324,797	5,807,790,640	6,216,838,010
Book Value per Share (Total Equity/Weigted Ave. Shares Outstanding)	5.81977	1.61790	1.07423	12.22951	1.89564
Stockholders Equity	9,311,638,970	2,047,822,435	1,265,534,973	26,021,145,323	2,764,467,887
Weighted Average shares outstanding	1,600,000,000	1,265,727,543	1,178,081,168	2,127,734,375	1,458,333,333
Income per Share (Net Income/ Weigted Ave. Shares Outstanding)	0.9656	0.4032	0.1116	0.3935	0.4753
Net Income	1,544,994,807	510,368,629	131,425,933	837,354,073	693,125,458
Weighted Average shares outstanding	1,600,000,000	1,265,727,543	1,178,081,168	2,127,734,375	1,458,333,333

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

	December 31		June 30	
	2011	2010	2012	2011
Current Ratio (Current Assets/Current Liabilities)	0.66:1	0.55:1	0.98:1	0.55:1
Current Assets	1,072,914,655	547,645,376	897,345,630	543,506,769
Current Liabilities	1,626,240,598	998,528,096	913,504,447	995,540,764
Asset to Equity Ratio (Total Asset/Total Equity)	7.98:1	16.95:1	2.14:1	7.79:1
Total Assets	1,949,139,931	1,103,748,203	1,924,053,372	1,205,767,730
Total Equity	244,211,373	65,109,285	900,874,849	154,764,844
Debt to Equity Ratio (Total Liabilities/Total Equity)	6.98:1	15.95:1	1.14:1	6.79:1
Total Liabilities	1,704,928,558	1,038,638,918	1,023,178,522	1,051,002,886
Stockholders Equity	244,211,373	65,109,285	900,874,849	154,764,844
Net Debt to Equity (Total Liabilities-Cash-Investments/Total Equity)	6.00:1	14.16:1	1.07:1	6.58:1
Net Liabilities	1,465,424,391	921,852,669	964,029,539	1,017,914,805
Stockholders Equity	244,211,373	65,109,285	900,874,849	154,764,844
Equity to Debt Ratio (Total Equity/Total Liabilities)	0.14:1	0.06:1	0.88:1	0.15:1
Stockholders Equity	244,211,373	65,109,285	900,874,849	154,764,844
Total Liabilities	1,704,928,558	1,038,638,918	1,023,178,522	1,051,002,886
Book Value per Share (Total Equity/Weighted Ave. Shares Outstanding)	488.42275	173.62476	1801.74970	309.52969

Stockholders Equity	244,211,373	65,109,285	900,874,849	154,764,844
Weighted Average shares outstanding	500,000	375,000	500,000	500,000
Income per Share (Net Income/ Weighted Ave. Shares Outstanding)	358.2042	72.8082	213.3270	179.3111
Net Income	179,102,088	27,303,068	106,663,477	89,655,559
Weighted Average shares outstanding	500,000	375,000	500,000	500,000

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

Results Of Operations:

				For the Years Ended December 31	For the Six-Month Periods Ended June 30	
(In millions)	**2008**	**2009**	**2010**	**2011**	**2012**	**2011**
Net Sales	P18,841.8	P24,112.4	P29,108.0	P38,987.9	P23,275.4	P17,315.3
Cost of Sales	17,450.6	21,893.0	25,577.0	33,453.1	19,590.5	14,670.4
Gross Profit	1,391.2	2,219.4	3,531.0	5,534.8	3,684.9	2,644.8
Other Operating Income	891.5	785.3	780.7	1,051.9	655.4	477.6
	2,282.7	3,004.7	4,311.7	6,586.6	4,340.3	3,122.4
Operating Expenses						
Selling	1,710.7	2,082.3	2,695.6	3,568.1	2,422.1	1,606.7
General and administrative	131.1	182.6	261.2	381.5	248.5	181.1
Other operating expenses	143.9	281.5	369.5	421.2	254.4	203.6
	1,985.7	2,546.5	3,326.3	4,370.8	2,925.0	1,991.5
Operating Income	297.0	458.2	985.3	2,215.9	1,415.2	1,131.0
Other income (expense) - net	(119.4)	(269.3)	(242.4)	(11.2)	42.0	(9.2)
Income before income tax	177.6	188.9	743.0	2,204.7	1,457.3	1,121.7
Income tax expense	48.2	57.5	232.6	659.7	423.8	339.0
Net Income	P129.4	P131.4	P510.4	P1,545.0	P1,033.5	P782.8

Comparative between Six-Month Periods June 2012 and 2011

Net sales

For the six-month period ended June 30, 2012, the Group posted total net sales of P23,275 million for an increase of 34.4% compared to P17,315 million in 2011 of the same period. This was largely due to increase in turnover as a result of the Company opening new stores in 2011 with 68.2% contribution to the total increase in net sales of the Group. As of June 30, 2012, the Company has a total of 109 stores in operation including 66 hypermarkets, 32 supermarkets and 11 discounters, whereas 9 stores were opened in the first half of 2012. In June 2012, the Company acquired 6 S&R and 19 Parco supermarkets contributing 15.1% of the total increase in the Group's net sales.

The following table shows the percentage growth in like-for-like indicators of the Group for the six-month periods ended June 30:

	PPCI		S&R		PARCO	
	2012	2011	2012	2011	2012	2011
Like-for-like net sales growth	4%	8%	23%	115%	-7%	3%
Like-for-like average net ticket growth	5%	5%	10%	84%	-2%	5%
Like-for-like traffic growth	-1%	3%	12%	16%	-5%	-3%

Data of S&R and PARCO includes operations of Kareila Management Corporation and Gant Group of Companies Incorporated prior to the acquisition.

Cost of sales

Total cost of sales for the period ended June 30, 2012 amounted to P19,591 million, an increase of 33.5% compared to P14,670 in 2011 of the same period. This was largely due to the opening of new stores and acquisition of subsidiaries, which was partially offset by increase in conditional discounts from the Group's suppliers. Acquisition of subsidiaries contributes 14.0% of the increase to the Group's total cost of sales.

Other operating income

Other operating income increased by P178 million or 37.2%. This was largely due to the opening of new stores and increase in commissions due from renting of product locations in store aisles to suppliers and renting of booths to third party retailers, as well as increase in display allowances from the stores. Acquisition of subsidiaries contributes 19.3% of the increase to the Group's total operating income.

Selling expenses

Selling expenses increased by P815 million or 50.7%. This was largely due to increase in the cost of manpower to staff the Company's new stores, increase in rent expenses due to additional lease contracts, utilities expense and depreciation expense largely related to opening of new stores. Acquisition of subsidiaries contributes 11.0% of the increase to the Group's total selling expense.

General and administrative expenses

General and administrative expenses increased by P67 million or 37.2%. This was due to increase in taxes, maintenance costs, insurance and transportation expenses as a result of the Company's expansion and the renovation of older stores to upgrade to the Company's current standards. Acquisition of subsidiaries contributes 12.4% of the increase to the Group's general and administrative expense.

Other operating expenses

Other operating expenses increased by P51 million or 24.9%. This was largely due to increase in security janitorial and messengerial services as a result of the Company's expansion. Acquisition of subsidiaries contributes 28.3% of the increase to the Group's total other operating expense.

Other income/expense -net

Other income - net increased by P51 million or 556.7%. This was mainly due to decrease in interest expense as a result of settlement of loans payable using the proceeds from Initial Public Offering (IPO). In addition, interest income increased by P36 million coming from the interest earned in short-term investments of IPO proceeds. This was partially offset by the decrease in gain on insurance claim of P27 million recognized in the first quarter of 2011 as a result of flood damage to a Company store in the fourth quarter of 2010.

Net income

As a result of the foregoing, the Group posted net income of P1,033 million at the end of June 2012 as compared to P783 million at the end of the same period in previous year, for an increase of 32.0%.

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 millions	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:

	Years Ended Dec 31	
Like for Like Traffic	2011	2010
Hypermarket	1%	1%
Supermarket	8%	-7%

	Years 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 Liabilities for the periods.

				December 31	June 30
(In millions)	2008	2009	2010	2011	2012
ASSETS					
Cash & Cash Equivalents	P1,224.7	P1,136.1	P1,837.9	P1,955.2	P2,150.3
Investments in trading securities	7.4	12.3	23.8	24.0	31.6
Receivables - net	809.2	645.3	241.6	410.4	504.8
Merchandise inventory	1,901.1	1,904.3	2,934.3	4,522.9	5,447.1
Due from Related Parties	3,898.8	6,004.2	-	-	-
Prepaid expenses and other current assets	127.7	213.5	378.3	536.4	602.6
Total Current Assets	7,968.8	9,915.7	5,415.9	7,448.9	8,736.4
Property and equipment - net	1,592.1	2,166.0	4,145.5	6,005.6	8,170.6
Deferred tax assets	66.7	101.2	165.3	220.1	291.1
Other noncurrent assets	235.2	285.0	397.0	3,005.1	18,778.6
Total Noncurrent Assets	1,893.9	2,552.2	4,707.8	9,230.8	27,240.2
Total Assets	P9,862.8	P12,467.9	P10,123.7	P16,679.7	P35,976.6
LIABILITIES AND EQUITY					
Loans payable	P4,241.3	P6,114.2	P2,092.3	P-	P936.8
Accounts payable and accrued expenses	3,230.3	3,767.5	5,007.0	6,234.6	5,960.2
Due to related party	154.5	383.5	0.0	8.9	113.3
Income tax payable	21.8	25.2	102.2	186.1	345.1
Trust receipts payable	0.0	0.0	30.9	21.3	12.7
Other current liabilities	860.3	576.6	296.6	177.9	262.5
Total Current Liabilities	8,508.3	10,867.0	7,529.1	6,628.7	7,630.6
Noncurrent accrued rent	217.6	318.0	507.6	663.0	801.1
Retirement benefits liability	2.8	17.3	39.2	76.4	101.5
Total Noncurrent Liabilities	220.4	335.3	546.8	739.3	902.7
Total Liabilities	8,728.7	11,202.3	8,075.9	7,368.0	8,533.3
Capital stock	796.1	796.1	1,450.0	2,000.0	2,766.4
Additional paid in capital	-	-	-	5,169.0	20,880.2
Retained earnings	338.0	469.5	597.8	2,142.8	3,796.8
Total Equity	1,134.1	1,265.5	2,047.8	9,311.6	27,443.3
Total Liabilities and Equity	P9,862.8	P12,467.9	P10,123.7	P16,679.7	P35,976.6

Comparative Interim Period June 2012 and Year Ended December 2011

As of June 30, 2012 and December 31, 2011, the Group's net current assets, were P1,106 million and P820 million, respectively. The Group's current ratio remained at 1.1 in December 2011 and June 2012. Acquisition of Kareila Management Corporation (KMC) and Gant Group of Companies Incorporated (GGCI) increased working capital by P252 million as of June 2012.

Current Assets

As of June 30, 2012 and December 31, 2011, total current assets amounted to P8,736 million or 24.3% of total assets, and P7,449 million or 44.7% of total assets, respectively. Cash and cash equivalents amounted to P2,150 million or 6.0% of total assets, higher by P195 million or 10.0% compared to previous year. Most of the available cash was used in financing the Company's expansion and acquisition of subsidiaries during the year. Merchandise inventory comprised the bulk of the Group's current assets which amounted to P5,447 million or 27.1% of total assets at the end of June 2012. Receivables account amounted to P505 million in 2012 or 1.4% of total assets, with an increase of P94 million or 23.0% from P410 million in 2011. This includes trade and non trade receivables, net of P7 million allowance for impairment losses. Prepaid expenses and other current assets increased by P66 million or 12.3% at the end of June 2012. This is attributable primarily to rent, insurance, taxes, permits & licenses and input tax. Total current assets acquired from KMC and GGCI amounted to P1,773 million and P445 million, respectively, comprising 6.2% of the Group's total assets as of June 2012.

Current Liabilities and Provisions

As of June 30, 2012 and December 31, 2011, total current liabilities amounted to P7,631 million or 21.2% of total assets, and P6,629 million or 39.7% of total assets, respectively. Loans payable was fully settled in 2011 using the proceeds from IPO. Accounts payable and accrued expenses decreased by P274 million or 4.4%. Trade payables declined by P900 million relative to settlement of obligations to suppliers. Due to related parties increased by P104 million due to unpaid rent to other related parties. Income tax payable increased by P159 million or 85.5%. Provision for income tax amounted to P423 million for the period ended June 2012. Trust receipts payable balance declined to P13 million after net settlement of P9 million on the outstanding obligation. Total current liabilities assumed from KMC and GGCI amounted to P1,420 million and P546 million, respectively, forming 5.5% of the Group's total assets.

Comparative Full Years

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.

	For the Years Ended December 31			For the Six-Month Periods June 30	
	2009	2010	2011	2011	2012
Net cash from operating activities	P809.0	P1,102.4	P1,357.9	(P643.4)	P1,319.4
Net cash used in investing activities	(2,999.4)	3,616.6	(4,867.1)	(1,042.6)	(18,138.7)
Net cash from (used in) financing activities	2,101.8	(4,017.2)	3,626.5)	203.0	17,014.5
Net increase (decrease) in cash and cash equivalents	(P88.5)	P701.8	(P117.2)	(P1,483.0)	P195.2

Comparative Interim Periods

Cash flow provided by (used in) operating activities

Net cash provided by operating activities amounted to P1,319 million for the period ended June 30, 2012. This was mainly due to purchases, increasing inventory level with increase in unpaid liabilities, relative to store expansion. Net receivables collected and merchandise inventory added amounted to P95 million and P924 million, respectively. In 2011, net cash used in operating activities amounted to P643 million. This was mainly due to net settlement of obligations to both trade and nontrade suppliers.

Cash flow provided by (used in) investing activities

Net cash used in investing activities amounted to P18,139 million for the period ended June 30, 2012. Other noncurrent assets increased by P15,237 million largely due to recognition of goodwill from the acquired subsidiaries amounting to P17,039 million, in excess of the amount paid over the net book value of net assets of the subsidiaries, partially offset by cash proceeds from restricted short-term cash investment. In addition, acquisitions of equipments, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounted to P2,165 million relative to store expansion. Net cash used in 2011amounted to P1,043 million, primarily due to acquisition of land and equipment for additional store openings, as well as for construction and leasehold improvements on acquired and existing properties.

Cash flow provided by (used in) financing activities

Net cash provided by financing activities amounted to P17,015 million for the period ended June 30, 2012. Proceeds from issuance of capital stock amounted to P16,478 million. In addition, P936 million of proceeds were obtained from loans assumed in acquisition of KMC and GGCI. Net cash provided by financing activities amounted to P203 million for the period ended June 30, 2011, coming from loans with banks and issuance of capital stocks.

Comparative Full Years

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.

PUREGOLD PRICE CLUB, INC.

INTERIM SEPARATE FINANCIAL STATEMENTS
July 31, 2012 and December 31, 2011

PUREGOLD PRICE CLUB, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Puregold Price Club, Inc.** (the Company), is responsible for the preparation and fair presentation of the financial statements as at and for the seven-month period ended **July 31, 2012** and for the year ended **December 31, 2011**, 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 Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

LUCIO L. CO
Chairman

LEONARDO B. DAYAO
President

SUSAN P. CO
Vice Chairman and Treasurer

Signed this 11th day of October 2012

SUBSCRIBED AND SWORN to before me, this OCT 16 2012 day of ______ 2012 at MANILA; affiants exhibited to me their Tax Identification Numbers Lucio L. Co 108-975-971, Susan P. Co 100-053-331 and Leonardo B. Dayao 135-546-815.

Doc No. 443
Page No. 89
Book No. 60
Series of 2012 ________

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC - CITY OF MANILA
ADMIN. NO. 2011-009-UNTIL DEC. 31, 2012
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NO. 945 BENAVIDEZ ST. BINONDO MANILA
IBP NO. 864[illegible] 12-28-2011 MANILA
PTR NO. MLA. 0[illegible]14224/12-19-2011 MANILA
MCLE COMPLIANCE NO. III-0014300

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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 interim separate financial statements of Puregold Price Club, Inc. (the "Company"), which comprise the interim separate statements of financial position as at July 31, 2012 and December 31, 2011, and the interim separate statements of comprehensive income, interim separate statements of changes in equity and interim separate statements of cash flows for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Interim Separate Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the interim separate 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 interim separate 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 interim separate financial statements.

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

KPMG

Opinion

In our opinion, the interim separate financial statements present fairly, in all material respects, the unconsolidated financial position of Puregold Price Club, Inc. as at July 31, 2012 and December 31, 2011, and its unconsolidated financial performance and its unconsolidated cash flows for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matters

As discussed in Note 1 to the interim separate financial statements, on August 14, 2012, the Company entered into a Merger Agreement with Puregold Junior Supermarket, Inc. and Gant Group of Companies, Inc. (entities under common control), with the Company as the surviving entity. As a result, all assets and liabilities of Puregold Junior Supermarket, Inc., and Gant Group of Companies, Inc. will be absorbed by the Company and the corporate existence of the absorbed entities will cease upon the effective date of the merger, which shall be the date the Securities and Exchange Commission (SEC) approves and issues the Certificate of Merger.

Also, as discussed in Note 2 to the interim separate financial statements, the accompanying interim separate financial statements as at and for the seven-month period ended July 31, 2012 were prepared for the purpose of filing an application with the SEC for a planned merger of the Company with Puregold Junior Supermarket, Inc. and Gant Group of Companies, Inc. As a result, the information presented in the interim separate statement of comprehensive income, interim separate statement of changes in equity and interim separate statement of cash flows for the seven-month period ended July 31, 2012 is not entirely comparable with those for the year ended December 31, 2011.

Limitation of Use

This report is intended solely for the information and use of the SEC, the Board of Directors, the stockholders and the management of the Company, and is not intended to be and should not be used by anyone other than these specified parties.

MANABAT SANAGUSTIN & CO., CPAs

ARTHUR Z. MACHACON
Partner
CPA License No. 0090279
SEC Accreditation No. 1189-A, Group A, valid until February 15, 2015
Tax Identification No. 164-607-040
BIR Accreditation No. 08-001987-29-2011
Issued November 3, 2011; valid until November 2, 2014
PTR No. 3174111MA
Issued January 2, 2012 at Makati City

October 11, 2012
Makati City, Metro Manila

KPMG

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

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

We have audited the accompanying interim separate financial statements of Puregold Price Club, Inc. as at and for the seven-month period ended July 31, 2012, on which we have rendered our report thereon dated October 11, 2012.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has a total number of one hundred fifty four (154) stockholders owning one hundred (100) or more shares each.

MANABAT SANAGUSTIN & CO., CPAs

ARTHUR Z. MACHACON
Partner
CPA License No. 0090279
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October 11, 2012
Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC.
INTERIM SEPARATE STATEMENTS OF FINANCIAL POSITION
JULY 31, 2012 AND DECEMBER 31, 2011

	Note	**July 31 2012**	December 31 2011
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 24, 25*	**P976,103,267**	P1,715,663,374
Investments in trading securities	*7, 24, 25*	**32,084,495**	24,000,214
Receivables - net	*5, 24, 25*	**176,279,791**	379,648,741
Merchandise inventory	*6*	**3,508,815,332**	3,859,109,193
Due from related parties	*19, 24, 25*	**321,281,654**	760,979,815
Prepaid expenses and other current assets	*8*	**367,249,070**	397,528,006
Total Current Assets		**5,381,813,609**	7,136,929,343
Noncurrent Assets			
Property and equipment - net	*9*	**6,584,338,486**	5,279,895,366
Investments	*11, 24, 25*	**17,869,890,619**	57,878,560
Deferred tax assets - net	*21*	**252,783,532**	196,580,139
Other noncurrent assets	*10, 15, 21, 24, 25*	**1,501,590,203**	2,859,654,173
Total Noncurrent Assets		**26,208,602,840**	8,394,008,238
		P31,590,416,449	P15,530,937,581
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*12, 24, 25*	**P4,291,998,199**	P5,412,426,198
Income tax payable		**192,476,874**	163,569,157
Trust receipts payable	*24, 25*	**12,684,875**	21,299,667
Due to related parties	*19, 24, 25*	**36,757,092**	7,672,199
Other current liabilities	*13, 24, 25*	**147,097,804**	158,501,931
Total Current Liabilities		**4,681,014,844**	5,763,469,152
Noncurrent Liabilities			
Noncurrent accrued rent	*21, 24, 25*	**758,056,588**	588,056,146
Retirement benefits liability	*20*	**94,543,767**	73,355,407
Total Noncurrent Liabilities		**852,600,355**	661,411,553
Total Liabilities		**5,533,615,199**	6,424,880,705
Equity			
Capital stock	*22*	**2,766,406,250**	2,000,000,000
Additional paid-in capital	*22*	**20,880,149,853**	5,168,821,728
Retained earnings	*22*	**2,410,245,147**	1,937,235,148
Total Equity		**26,056,801,250**	9,106,056,876
		P31,590,416,449	P15,530,937,581

See Notes to the Separate Financial Statements.

PUREGOLD PRICE CLUB, INC.
INTERIM SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		For the Periods Ended	
		July 31	December 31
		2012	2011
	Note	**(Seven-Month)**	(One Year)
REVENUES			
Gross sales		**P22,730,703,895**	P34,351,642,799
Sales discount		**38,205,001**	58,458,970
Net sales		**22,692,498,894**	34,293,183,829
COST OF SALES	*14*	**19,328,928,907**	29,524,683,844
GROSS PROFIT		**3,363,569,987**	4,768,499,985
OTHER OPERATING INCOME	*16*	**647,226,338**	947,218,573
		4,010,796,325	5,715,718,558
OPERATING EXPENSES	*17*	**2,833,582,808**	3,755,988,771
INCOME FROM OPERATIONS		**1,177,213,517**	1,959,729,787
OTHERS INCOME (EXPENSE)			
Finance cost		**(291,806)**	(65,028,007)
Other income	*18*	**49,364,842**	53,703,234
		49,073,036	(11,324,773)
INCOME BEFORE INCOME TAX		**1,226,286,553**	1,948,405,014
INCOME TAX EXPENSE	*21*		
Current		**409,479,947**	625,839,148
Deferred		**(56,203,393)**	(43,326,853)
		353,276,554	582,512,295
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P873,009,999**	P1,365,892,719
EARNINGS PER SHARE	*23*		
Basic earnings per share		P0.39	P0.85
Diluted earnings per share		P0.39	P0.85

See Notes to the Interim Separate Financial Statements.

PUREGOLD PRICE CLUB, INC.
INTERIM SEPARATE STATEMENTS OF CHANGES IN EQUITY

		For the Periods Ended	
		July 31	December 31
		2012	2011
	Note	**(Seven-Month)**	(One Year)
CAPITAL STOCK - P1 par value	*22*		
Authorized - 3,000,000,000 shares			
Issued and outstanding - 2,766,406,250 shares in 2012, (2,000,000,000 shares in 2011)			
Balance at beginning of period		**P2,000,000,000**	P1,450,000,000
Stock issuances during the period		**766,406,250**	550,000,000
Balance at end of period		**2,766,406,250**	2,000,000,000
ADDITIONAL PAID-IN CAPITAL	*22*	**20,880,149,853**	5,168,821,728
RETAINED EARNINGS			
Balance at beginning of period		**1,937,235,148**	571,342,429
Net income for the period		**873,009,999**	1,365,892,719
Cash dividends declared	*22*	**(400,000,000)**	-
Balance at end of period		**2,410,245,147**	1,937,235,148
		P26,056,801,250	P9,106,056,876

See Notes to the Interim Separate Financial Statements.

PUREGOLD PRICE CLUB, INC.
INTERIM SEPARATE STATEMENTS OF CASH FLOWS

	Note	For the Periods Ended July 31 2012 (Seven-Month)	December 31 2011 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P1,226,286,553**	P1,948,405,014
Adjustments for:			
Depreciation and amortization	*9, 17*	**273,489,921**	389,818,832
Accrued rent		**170,000,442**	120,557,276
Retirement benefits cost	*17, 20*	**21,188,360**	34,123,885
Interest expense		**291,806**	65,028,007
Interest income	*18*	**(41,519,442)**	(24,975,541)
Unrealized valuation gain in trading securities	*7, 18*	**(6,916,277)**	(195,314)
Dividend income	*18*	**(554,125)**	(866,750)
Gain on disposal of property and equipment	*18*	**(374,998)**	(369,118)
Loss on pre-termination of lease contract	*17*	**-**	9,000,000
Impairment losses on receivables	*5, 17*	**1,940,552**	1,407,884
Gain on insurance claim	*18*	**-**	(27,296,511)
Operating income before changes in working capital		**1,643,832,792**	2,514,637,664
Decrease (increase) in:			
Investment in trading securities	*7*	**(1,168,004)**	(12,500)
Receivables		**201,428,398**	(180,123,028)
Merchandise inventory		**350,293,861**	(1,257,678,354)
Prepaid expenses and other current assets		**30,278,936**	(106,697,822)
Increase (decrease) in:			
Accounts payable and accrued expenses		**(1,197,450,273)**	904,539,418
Due to related parties		**3,231,218**	7,672,199
Trust receipts payable		**(8,614,792)**	(9,632,691)
Other current liabilities		**(11,404,127)**	(90,434,817)
Cash generated from operations		**1,010,428,009**	1,782,270,069
Interest received		**41,519,442**	24,975,541
Interest paid		**(322,254)**	(68,271,987)
Income taxes paid		**(380,572,230)**	(551,766,515)
Net cash provided by operating activities		**671,052,967**	1,187,207,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other noncurrent assets		**1,358,063,970**	(2,564,390,751)
Additions to property and equipment		**(1,502,910,706)**	(2,009,979,806)
Increase in investments	*11*	**(17,812,012,059)**	-
Decrease (increase) in due from related parties		**439,698,161**	(318,679,815)
Proceeds from disposal of property and equipment		**2,405,385**	15,571,955
Dividends received	*18*	**554,125**	866,750
Proceeds from insurance claim		**-**	57,418,680
Net cash used in investing activities		**(17,514,201,124)**	(4,819,192,987)

Forward

	Note	July 31 2012 (Seven-Month)	December 31 2011 (One Year)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance and subscription of capital stock	*22*	**P16,477,734,375**	P5,718,821,728
Increase in due to related parties		**25,853,675**	-
Cash dividends declared and paid	*22*	**(400,000,000)**	-
Proceeds from loans payable		**-**	(2,092,330,000)
Net cash provided by financing activities		**16,103,588,050**	3,626,491,728
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(739,560,107)**	(5,494,151)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	*4*	**1,715,663,374**	1,721,157,525
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*4*	**P976,103,267**	P1,715,663,374

See Notes to the Interim Separate Financial Statements.

PUREGOLD PRICE CLUB, INC.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

Puregold Price Club, Inc. (the "Company") was incorporated and registered with the Securities and Exchange Commission (SEC) on September 8, 1998. Its shares are listed in the Philippine Stock Exchange (PSE) since October 5, 2011. The Company's stock symbol is PGOLD.

The Company is principally involved in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. Its registered office is located at 900 Romualdez St., Paco Manila.

As at July 31, 2012, the Company has seventy nine (79) operating stores of which seven (7) were newly opened.

Plan of Merger

On August 14, 2012, the Company's Board of Directors approved the Company's planned merger with Puregold Junior Supermarket, Inc. (PJSI) and Gant Group of Companies, Inc. (Gant). It will be ratified by at least two-thirds (2/3) votes of the stockholders during its special meeting called for the purpose.

Salient features of the Plan of Merger are as follows:

- The Company shall be the surviving entity and the corporate existence of PJSI and Gant shall cease.

- All the assets, rights, powers, privileges, immunities, franchises and businesses of PJSI and Gant as at the effective date of the merger, shall be deemed assigned, transferred to and vested in the Section 80(A) of the Corporation Code, without need of any further act or deed.

- Upon the effective date of merger, the Company shall assume all outstanding liabilities, obligations and undertakings of PJSI and Gant as at the effective date of merger.

- All issued and outstanding capital stock of PJSI and Gant on the effective date of the merger shall be cancelled but no new shares of stock shall be issued to the stockholders of PJSI and Gant considering that the constituent entities are wholly-owned subsidiaries of the Company.

2. Basis of Preparation

Statement of Compliance

The interim separate financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRSs). PFRSs includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

The interim separate financial statements of the Company as at and for the seven-month period ended July 31, 2012 were approved for issuance by management on October 11, 2012, as authorized by the Board of Directors on the same date.

The interim separate financial statements as at and for the seven-month period ended July 31, 2012 were prepared for the purpose of filing an application with SEC for a planned merger of the Company with Puregold Junior Supermarket, Inc. and Gant Group of Companies (entities under common control). As a result, the information presented in the interim separate statement of comprehensive income, interim separate statement of changes in equity and interim separate statement of cash flows for the seven-month period ended July 31, 2012 are not entirely comparable with those for the year ended December 31, 2011.

Basis of Measurement

The Company's interim separate financial statements have been prepared on the historical cost basis of accounting, except for investments in trading securities and available-for-sale (AFS) financial assets which are measured at fair value.

Functional and Presentation Currency

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

Use of Estimates and Judgments

The Company's interim separate financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the interim separate 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 Company'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 interim separate financial statements:

Determination of Functional Currency

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

Assessing Lease Agreements

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

Operating Leases - Company as a Lessee

The Company has entered into various lease agreements as a lessee. The Company 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 expense recognized in profit or loss amounted to P572.1 million and P677.5 million for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011, respectively (see Notes 15 and 17).

Operating Leases - Company as a Lessor
The Company has entered into various lease agreements as a lessor to sublease portion of its stores to various lessees and to lease properties to a related party. The Company, as a 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 P124.2 million and P173.7 million for the seven-month period ended July 31, 2012 and year ended December 31, 2011, respectively (see Notes 15 and 16).

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

Estimating Allowance for Impairment Losses on Receivables and Other Current Assets
The Company 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 Company on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with debtors and, their payment behavior and known market factors. The Company 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 Company made different judgment or utilized different estimates. An increase in the Company's allowance for impairment losses on receivables would increase the Company's recorded operating expenses and decrease current assets.

The allowance for impairment losses on receivables amounted to P7.5 million and P5.5 million as at July 31, 2012 and December 31, 2011, respectively. The carrying value of receivables amounted to P176.3 million and P379.6 million as at July 31, 2012 and December 31, 2011, 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 Company 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., pre-termination of contracts). The estimate of the NRV is reviewed regularly (see Note 6).

The carrying amount of merchandise inventory as at July 31, 2012 and December 31, 2011 amounted to P3,508.8 million and P3,859.1 million, respectively.

Estimating Useful Lives of Property and Equipment
The Company 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 P1,563.6 million and P1,291.0 million as at July 31, 2012 and December 31, 2011, respectively. Property and equipment, net of accumulated depreciation, amounted to P6,584.3 million and P5,279.9 million as at July 31, 2012 and December 31, 2011, respectively (see Note 9).

Estimating Realizability of Deferred Tax Assets
The Company 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 Company reviews its projected performance in assessing the sufficiency of future taxable income.

Deferred tax assets amounted to P252.8 million and P196.6 million as at July 31, 2012 and December 31, 2011, respectively (see Note 21).

Impairment of Non-financial Assets
PFRSs require that an impairment review be performed on nonfinancial 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 interim separate 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 interim unconsolidated financial performance.

There were no impairment losses of property and equipment and other nonfinancial assets recognized as at July 31, 2012 and December 31, 2011.

Estimating Retirement Benefits
The determination of the Company'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 PFRSs, 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 Company has a net cumulative unrecognized actuarial losses amounting to P64.4 million and P65.5 million as at July 31, 2012 and December 31, 2011, respectively (see Note 20).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these interim separate financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Revised Standards, Amendments to Standards and Interpretations
The FRSC approved the adoption of a number of new and revised standards, amendments to standards, and interpretations (based on IFRIC Interpretations) as part of PFRSs.

Adopted Effective January 1, 2012
The Company has adopted the following PFRSs starting January 1, 2012 and accordingly, changed its accounting policies in the following areas:

- *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 interim 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.

The adoption of the above amendments to standards did not have a material effect to the Company's interim separate financial statements.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted
A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these interim separate financial statements. None of these is expected to have a significant effect on the interim separate financial statements of the Company, except for PFRS 9, which becomes mandatory for the Company's 2015 interim separate financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

The Company will adopt the following new and revised standards, amendments to standards and interpretations in the respective effective dates:

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 PFRSs 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 PFRSs. 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.

To be Adopted on January 1, 2015

- 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 Company will assess the impact of the above revised standards and amendments to standards on the interim separate financial statements upon their adoption in their respective effective dates.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the interim separate 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 Company 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 Company 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 Company's financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company had no HTM investments and FVPL financial liabilities as at July 31, 2012 and December 31, 2011.

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 Company 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)" accounts. 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 Company's investments in trading securities are classified under this category.

The carrying values of financial assets under this category amounted to P32.1 million and P24.0 million as at July 31, 2012 and December 31, 2011, respectively (Note 7).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or FVPL financial 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 as part of "Interest income" in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Company's cash and cash equivalents, receivables, security deposits and due from related parties are included in this category (see Notes 4, 5, 10 and 24).

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

AFS Financial Assets
The Company's investments in equity securities and certain debt securities are classified as AFS financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

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 Company's accounts payable and accrued expenses, due to related parties, trust receipts payable and other current liabilities are included in this category (see Notes 12, 13 and 24).

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 Company 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 Company 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 Company 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 Company'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 Company 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 interim separate 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 interim separate statements of financial position.

Merchandise Inventory
Merchandise inventory are 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.

Business Combination
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Company measures goodwill at the acquisition date as: (a) the fair value of the consideration transferred; plus (b) the recognized amount of any non-controlling interests in the acquiree; plus (c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less (d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Transactions under Common Control
Transactions under common control entered into in contemplation of each other, and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

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

Investments in Subsidiaries
The Company's investment in shares of stock of subsidiaries is accounted for under the cost method as provided for under PAS 27, *Consolidated and Separate Financial Statements*. The investments are carried in the interim separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from a subsidiary or associate in its interim separate statements of comprehensive income when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

The subsidiaries of the Company as at July 31, 2012 and December 31, 2011 follow:

	Percentage of Ownership	
	July 31 2012	December 31 2011
Puregold Junior Supermarket, Inc. [(a)]	**100.00**	100.00
Kareila Management Corporation [(b)]	**100.00**	-
Gant Group of Companies[(c)]	**100.00**	-
PPCI - Subic, Inc. [(d)]	**100.00**	-

(a) Incorporated and registered with SEC in 2008; acquired by the Company in 2010 (Note 11)

(b) Operator of S&R Membership Shopping; incorporated and registered with SEC in 2004; acquired by the Company on May 28, 2012 (Note 11)

(c) Operator of Parco Supermarket chain; incorporated and registered with SEC in 1983; acquired by the Company on May 29, 2012; SEC's approval of the transfer of ownership is still in process (Note 11)

(d) Incorporated and registered with SEC on May 31, 2011 and has not yet started commercial operations (Note 11)

Property and Equipment

Property and equipment, except land, 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 Company. 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.

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.

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 Company 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, 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 rate method. Borrowings are classified as current liabilities unless the Company 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 carry forward 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 Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 Company 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 interim separate statements of financial position.

Leases

Company 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.

Company as Lessor
Leases where the Company 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 common 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.

Provisions and Contingencies

A provision is recognized when the Company 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 interim separate financial statements. These are disclosed in the notes to the interim separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the interim separate financial statements but are disclosed in the notes to the interim separate 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 period-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are recognized in the interim separate financial statements. Post period-end events that are not adjusting events are disclosed in the notes to the interim separate financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**July 31 2012**	December 31 2011
Cash on hand		**P157,645,158**	P253,990,361
Cash in banks	*24*	**717,105,686**	561,133,013
Money market placements	*24*	**101,352,423**	900,540,000
	25	**P976,103,267**	P1,715,663,374

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. The maturity dates of these investments average 30 days only with an annual interest of 3.30% to 3.35% in 2012 and 3.65% to 3.82% in 2011.

5. Receivables

This account consists of:

	Note	**July 31 2012**	December 31 2011
Trade receivables		**P136,117,658**	P324,332,222
Non-trade receivables		**47,624,460**	60,838,294
		183,742,118	385,170,516
Less allowance for impairment losses		**7,462,327**	5,521,775
	24, 25	**P176,279,791**	P379,648,741

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

The aging of trade receivables follows:

	July 31 2012	December 31 2011
Current	**P106,633,303**	P163,135,443
Past due 1 - 30 days	**20,173,164**	134,775,935
Past due 31 - 60 days	**3,994,677**	24,354,646
More than 60 days	**5,316,514**	2,066,198
	P136,117,658	P324,332,222

Majority of trade receivables are credit card transactions. The Company partners only with reputable credit card companies affiliated with major banks. Management believes that except for the accounts provided with allowance for impairment losses amounting to P7,462,327 and P5,521,775 as at July 31, 2012 and December 31, 2011, 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	**July 31 2012**	December 31 2011
Beginning balance		**P5,521,775**	P4,113,891
Impairment losses recognized during the period	*17*	**1,940,552**	1,407,884
Ending balance		**P7,462,327**	P5,521,775

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 July 31, 2012 and December 31, 2011 is lower than NRV.

7. Investments in Trading Securities

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

The movements in investments in trading securities follow:

	Note	**July 31 2012**	December 31 2011
Cost			
Balance at beginning of period		**P13,350,902**	P13,338,402
Additions during the period		**1,168,004**	12,500
Balance at end of period		**14,518,906**	13,350,902
Valuation adjustments			
Balance at beginning of period		**10,649,312**	10,453,998
Unrealized valuation gain in trading securities for the period	*18*	**6,916,277**	195,314
		17,565,589	10,649,312
	24, 25	**P32,084,495**	P24,000,214

8. Prepaid Expenses and Other Current Assets

This account consists of:

	July 31 2012	December 31 2011
Input value-added tax (VAT) - net	**P173,961,398**	P257,891,910
Prepaid expenses		
Rent	**122,958,331**	71,421,539
Taxes and licenses	**46,458,342**	23,897,407
Insurance	**21,730,650**	37,934,369
Repairs and maintenance	**2,140,349**	6,382,781
	P367,249,070	P397,528,006

Input VAT - net 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, 2011	P1,914,428,740	P85,883,648	P550,500,113	P1,292,914,479	P618,364,105	P19,518,315	P98,025,555	P4,579,634,955
Additions	370,684,970	17,757,704	173,879,750	437,701,106	443,072,927	339,619,908	227,263,441	2,009,979,806
Reclassification	52,466,322	-	26,837,038	7,493,074	10,726,671	(10,132,417)	(87,390,688)	-
Disposals	-	-	(4,215,665)	(13,666,150)	(825,151)	-	-	(18,706,966)
Balance, December 31, 2011	2,337,580,032	103,641,352	747,001,236	1,724,442,509	1,071,338,552	349,005,806	237,898,308	6,570,907,795
Additions	201,876,225	10,538,812	102,833,029	293,845,494	250,919,823	29,332,170	690,617,875	1,579,963,428
Reclassification	94,511,661	-	1,128,621	(19,693)	(116,449,612)	3,467	20,825,556	-
Disposals	-	-	(1,940,590)	(961,840)	-	-	-	(2,902,430)
Balance, July 31, 2012	**2,633,967,918**	**114,180,164**	**849,022,296**	**2,017,306,470**	**1,205,808,763**	**378,341,443**	**949,341,739**	**8,147,968,793**
Accumulated depreciation and amortization:								
Balance, January 1, 2011	125,262,582	39,767,611	133,455,019	482,478,899	123,733,615	-	-	904,697,726
Depreciation and amortization	70,054,891	5,490,810	57,107,803	224,022,453	33,142,875	-	-	389,818,832
Reclassification	(2,707,986)	-	12,155,076	(2,587,945)	(6,859,145)	-	-	-
Disposals	-	-	(301,371)	(3,078,769)	(123,989)	-	-	(3,504,129)
Balance, December 31, 2011	192,609,487	45,258,421	202,416,527	700,834,638	149,893,356	-	-	1,291,012,429
Depreciation and amortization	50,021,000	3,482,535	38,864,943	147,980,344	33,141,099	-	-	273,489,921
Reclassification	(272,448)	-	717,147	(9,299)	(435,400)	-	-	-
Disposals	-	-	(55,310)	(816,733)	-	-	-	(872,043)
Balance, July 31, 2012	**242,358,039**	**48,740,956**	**241,943,307**	**847,988,950**	**182,599,055**	-	-	**1,563,630,307**
Carrying amount:								
December 31, 2011	P2,144,970,545	P58,382,931	P544,584,709	P1,023,607,871	P921,445,196	P349,005,806	P237,898,308	P5,279,895,366
July 31, 2012	**P2,391,609,879**	**P65,439,208**	**P607,078,989**	**P1,169,317,520**	**P1,023,209,708**	**P378,341,443**	**P949,341,739**	**P6,584,338,486**

10. Other Noncurrent Assets

This account consists of:

	Note	July 31 2012	December 31 2011
Restricted cash and cash equivalents	*24, 25*	**P771,756,397**	P2,286,731,084
Security deposits	*15, 24, 25*	**568,077,675**	469,768,107
Noncurrent advance rental		**144,305,220**	91,488,784
Accrued rent income	*15, 21*	**17,450,911**	11,666,198
		P1,501,590,203	P2,859,654,173

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

11. Investments

This account consists of:

	Note	July 31 2012	December 31 2011
Investments in subsidiaries at cost			
Acquisition cost:			
Balance at beginning of period		**P49,999,400**	P49,999,400
Additions during the period		**17,812,012,059**	-
Balance at end of period		**17,862,011,459**	49,999,400
AFS financial assets	*24, 25*	**7,879,160**	7,879,160
		P17,869,890,619	P57,878,560

Investments in Subsidiaries

The following are the Company's investments in its subsidiaries:

Puregold Junior Supermarket, Inc. (PJSI)

The Company owns 100% equity interest in PJSI, an entity engaged in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. Acquisition cost amounted to P49,999,400. On April 30, 2012, the Company paid P550 million to Puregold Junior Supermarket, Inc., a subsidiary, as deposit for future stock subscription for 5,500,000 common shares. Upon approval by the SEC, the deposit will be applied to capital stock for the aggregate par value and additional paid-in capital will be recognized for the excess in par value. PJSI is still in the process of filing the increase in authorized capital stock with the SEC.

The key financial information of PJSI as at and for the seven-month periods ended July 31, 2012 and December 31, 2011 is as follows:

	July 31 2012	December 31 2011
Total current assets	**P919,606,733**	P1,072,914,655
Total noncurrent assets	**1,062,509,904**	876,225,276
Total current liabilities	**1,517,539,880**	1,626,240,598
Total noncurrent liabilities	**113,935,909**	78,687,960
Total revenue	**3,845,979,585**	4,694,699,576
Total equity	**350,640,848**	244,211,373
Net income / total comprehensive income	**106,429,475**	179,102,088

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

The Company issued 766,406,250 new common shares, with P1 par value, from its own authorized but unissued capital in exchange of 1,703,125 common shares, with P100 par value per share, of Kareila representing 100% of its outstanding capital stock. The fair market value of the Company's shares based on the observable market price as at the date of acquisition is P21.50 per share or P16,477,734,375.

The key financial information of Kareila as at and for the seven-month periods ended July 31, 2012 and December 31, 2011 follows:

	July 31 2012	December 31 2011
Total current assets	**P1,754,488,524**	P2,025,500,732
Total noncurrent assets	**991,942,754**	821,188,334
Total current liabilities	**1,389,501,425**	2,010,847,972
Total noncurrent liabilities	**4,389,307**	4,389,307
Total revenue	**4,462,445,558**	6,646,338,679
Total equity	**1,352,540,546**	831,451,787
Net income / total comprehensive income	**521,088,761**	660,266,229

Gant Group of Companies, Inc.
On May 29, 2012, the Company acquired 519,111 shares or 100% of the outstanding capital stock of Gant Group of Companies, Inc., owner and operator of Parco Supermarket. The investee is engaged in the business of trading consumer products. Acquisition cost amounted to P744,035,628.

The approval of the acquired shares and the application for the merger of the companies to the SEC is in process as at July 31, 2012.

The key financial information of Gant Group of Companies as at and for the one-month period ended July 31, 2012 and as at and for the fiscal year ended June 30, 2012 follows:

	July 31 2012	June 30 2012
Total current assets	**P486,364,408**	P448,866,974
Total noncurrent assets	**126,295,512**	124,780,692
Total current liabilities	**557,220,392**	534,913,961
Total noncurrent liabilities	**25,216**	25,216
Total equity	**55,414,312**	38,708,489
Total revenue	**39,501,453**	650,999,012
Net loss/total comprehensive loss	**(275,836)**	(8,697,615)

PPCI - Subic, Inc.
The Company invested P3,125,000 in PPCI - Subic, Inc., an entity incorporated on May 31, 2012. The investment represents 100% of the outstanding capital stock of the investee. PPCI - Subic, Inc. will operate as a Puregold store within the area of the Subic Bay Economic Zone, Olongapo City. Its commercial operation has not yet started as at July 31, 2012.

The key financial information of PPCI Subic Inc. as at and for the fiscal year ended July 31, 2012 is as follows:

	July 31 2012
Total current assets	**P7,744,061**
Total noncurrent assets	**35,587,321**
Total current liabilities	**44,716,928**
Total noncurrent liabilities	**955,593**
Total equity	**(2,341,139)**
Net loss/total comprehensive loss	**(5,466,139)**

AFS Financial Assets
AFS financial assets 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.

12. Accounts Payable and Accrued Expenses

This account consists of:

	Note	July 31 2012	December 31 2011
Trade		**P2,242,383,441**	P3,860,096,063
Nontrade		**1,203,523,998**	698,479,159
Withholding taxes payable		**46,480,670**	58,985,110
Accrued expenses			
Advances from concessionaires		**301,388,020**	413,474,447
Manpower agency services		**266,693,288**	251,949,561
Accrual for fixed asset acquisition		**77,052,722**	-
Accrued utilities		**69,721,405**	78,869,011
Professional fees		**44,530,254**	45,507,263
13th month pay		**22,099,836**	-
Accrued rent		**11,452,758**	3,515,971
Accrued interest		**15,774**	30,448
Others		**6,656,033**	1,519,165
	24, 25	**P4,291,998,199**	P5,412,426,198

Nontrade payables are liabilities of the Company arising from purchases of goods and services not intended for re-selling but essential to its operations.

13. Other Current Liabilities

This account consists of:

	Note	July 31 2012	December 31 2011
Deposits		**P91,388,126**	P79,595,172
Exclusive fund		**24,297,450**	44,676,397
Promotion fund		**17,471,908**	19,227,647
Gift cheques		**13,460,900**	13,878,380
Cashier's bond		**479,420**	1,124,335
	24, 25	**P147,097,804**	P158,501,931

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 payments of their purchases.

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

Gift cheques represent the issued yet unredeemed gift certificates. The gift cheques, upon redemption, will be closed to sales account.

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 consists of:

	Note	July 31 2012 (Seven-Month)	December 31 2011 (One Year)
Beginning inventory	6	**P3,859,109,193**	P2,601,430,839
Add purchases		**18,978,635,046**	30,782,362,198
Total goods available for sale		**22,837,744,239**	33,383,793,037
Less ending inventory	6	**3,508,815,332**	3,859,109,193
		P19,328,928,907	P29,524,683,844

15. Lease Agreements

As Lessee

The Company leases warehouses, parking space and certain land and buildings where some of its stores are situated or constructed. The terms of the lease are for the periods ranging from 10-35 years, renewable for the same period under the same terms and conditions. The rent shall escalate by an average of 1% to 7%. Rental payments are fixed amount which is calculated either fixed monthly rent or is calculated with reference to a fixed sum per square meter of area leased based on the contracts.

The Company is required to pay security deposits on the above leases which is either fixed monthly rent or is calculated with reference to a fixed sum per square meter of area leased. This is shown under "Other noncurrent assets" account in the interim separate statements of financial position.

Rent expense included under "Operating expense" account in the interim separate statements of comprehensive income amounted to P572,088,472 and P677,523,175 for the seven-month ended July 31, 2012 and for the year ended December 31, 2011, respectively (see Note 17).

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

	July 31 2012	December 31 2011
Due within one year	**P738,037,358**	P643,901,182
Due more than one year but not more than five years	**3,316,698,029**	2,722,268,028
Due more than five years	**17,889,478,049**	14,416,768,516
	P21,944,213,436	P17,782,937,726

As Lessor

The Company subleases portion of its store space to various lessees including Puregold Junior Supermarket, Inc. for an average lease term of one to ten years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the interim separate statements of financial position.

Rent income recognized in profit or loss for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011 amounted P124,173,890 million and P173,646,102 million, respectively (see Note 16).

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

	July 31 2012	December 31 2011
Due within one year	**P125,120,303**	P101,346,207
Due more than one year but not more than five years	**190,324,776**	162,728,143
Due more than five years	**186,711,272**	166,441,189
	P502,156,351	P430,515,539

16. Other Operating Income

This account consists of:

	Note	**July 31 2012 (Seven-Month)**	December 31 2011 (One Year)
Concession income		**P328,488,353**	P514,312,519
Display allowance		**178,639,600**	232,518,106
Rent income	*15*	**124,173,890**	173,646,102
Miscellaneous		**15,924,495**	26,741,846
		P647,226,338	P947,218,573

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 and for the building leased to a related party.

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

17. Operating Expenses

This account consists of:

	Note	July 31 2012 (Seven-Month)	December 31 2011 (One Year)
Manpower agency services		**P530,275,547**	P701,177,653
Rent	*15*	**572,088,472**	677,523,175
Communication, light and water		**500,916,774**	634,185,100
Salaries and wages		**294,764,122**	401,145,064
Depreciation and amortization	*9*	**273,489,921**	389,818,832
Security services		**158,797,137**	216,255,602
Store and office supplies		**118,508,290**	166,436,845
Taxes and licenses		**91,444,073**	122,948,926
Repairs and maintenance		**69,098,654**	94,469,540
Janitorial and messengerial services		**48,697,504**	66,802,470
Employee benefits		**37,428,688**	58,499,964
Insurance		**33,299,924**	44,053,663
SSS/Medicare and HDMF contributions		**21,779,825**	30,321,277
Retirement benefits cost	*20*	**21,188,360**	34,123,885
Fuel and oil		**14,269,263**	17,830,464
Disallowed input VAT		**12,684,867**	16,717,260
Royalty	*19*	**11,346,243**	8,064,771
Transportation		**6,242,765**	5,631,675
Representation and entertainment		**5,678,358**	19,804,892
Professional fee		**4,676,107**	3,002,406
Impairment losses on receivables	*5*	**1,940,552**	1,407,884
Donations and contributions		**1,000,000**	2,442,303
Bank charges		**43,874**	15,515,730
Deficiency tax		**-**	9,037,830
Loss on pre-termination of lease contract		**-**	9,000,000
Miscellaneous		**3,923,488**	9,771,560
		P2,833,582,808	P3,755,988,771

18. Other Income

This account consists of:

	Note	July 31 2012 (Seven-Month)	December 31 2011 (One Year)
Interest income		**P41,519,442**	P24,975,541
Unrealized valuation gain in trading securities	*7*	**6,916,277**	195,314
Dividend income		**554,125**	866,750
Gain on disposal of property and equipment		**374,998**	369,118
Gain on insurance claim		**-**	27,296,511
		P49,364,842	P53,703,234

Gain on insurance claim represents the excess of proceeds over the actual total payments made to the insurance company on flood damage caused by typhoon Ondoy during 2009 in the Company's inventories.

19. Related Party Transactions

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

a. Lease of Building

The Company leases the building from its affiliates, Cosco Prime Holdings, Inc., Ellimac Prime Holdings, Inc., VFC Land Resources, Inc., Pajusco Realty Corporation, KMC Realty Corp. Bellagio Holdings, Inc. where some stores are located. The Company pays its affiliates a minimum fixed amount or is calculated with reference to a fixed sum per square meter of area leased. Rent expense, included under "Operating expense" account in the interim separate statements of comprehensive income amounted to P188.55 million and P274.10 million for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011, respectively. Outstanding security deposit for these lease agreement in its affiliates amounted to P128.51 million and P166.10 million as at July 31, 2012 and December 31, 2011, respectively.

b. Sublease of Building

The Company has existing lease agreements with Puregold Junior Supermarket, Inc. The total rent income amounted to P3.20 million and P0.79 million for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011, respectively. The Company has also entered into sublease agreement with Purevalue, Inc., a Company under common control. Rent income recognized by the Company amounted to P3.23 million for the year ended December 31, 2011 and no rent income was recognized for the seven-month period ended July 31, 2012. Accrued rent income included under "Other noncurrent assets" account in the separate statements of financial position amounted to P148.11 million and P160.64 million as at July 31, 2012 and December 31, 2011, respectively.

c. Due to and from Related Parties

The Company has outstanding receivables from related parties arising from sale of merchandise inventories, transfer of property and equipment and rent income. Due from related parties amounted to P321.28 million and P760.98 million as at July 31, 2012 and December 31, 2011, respectively.

These receivables are unsecured, noninterest-bearing and due and demandable. The Company has not made any allowance for impairment losses relating to receivables from related parties as at July 31, 2012 and December 31, 2011. This assessment is undertaken annually by management through examination of the financial position of related parties and the market in which they operate.

The Company has outstanding payables to related parties arising from transfer of property and equipment, rent expense, royalty fee, preventive maintenance, utilities expense, communications and employee benefits. Due to affiliates amounted to P25.85 million as at July 31, 2012. There was no due to affiliates as at December 31, 2011. Royalty fee and other payables to the stockholder of the Company amounted to P10.90 million and P7.67 million as at July 31, 2012 and December 31, 2011, respectively.

These are unsecured, noninterest-bearing and due and demandable.

d. Royalty Agreement

On August 15, 2011, the Company ("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. Royalty fees to the stockholder of the Company amounted to P11.35 million and P8.06 million as at July 31, 2012 and December 31, 2011, respectively.

e. Key Management Compensation

The compensation of key management personnel representing short-term benefits amounted to P7.21 million and P12.70 million for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011, respectively. The Company has no key management compensation relating to post-employment benefits or other long-term benefits for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011.

20. Retirement Benefits Cost

The Company has a nonfunded, non-contributory, 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 reconciliation of the liability recognized in the interim separate statements of financial position as at July 31, 2012 and December 31, 2011 are shown below:

	July 31 2012	December 31 2011
Present value of the defined benefit obligation	**P158,978,507**	P138,827,870
Unrecognized actuarial losses	**(64,434,740)**	(65,472,463)
Retirement benefits liability at reporting date	**P94,543,767**	P73,355,407

The movements of the present value of the defined benefit obligation as at and for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011 are shown below:

	July 31 2012	December 31 2011
Balance at the beginning of period	**P138,827,870**	P87,045,217
Current service cost	**15,056,811**	25,811,676
Interest cost	**5,093,826**	6,963,617
Actuarial losses	**-**	19,007,360
Balance at end of period	**P158,978,507**	P138,827,870

The amount of retirement benefits cost recognized in profit or loss are as follows:

	July 31 2012 (Seven-Month)	December 31 2011 (One Year)
Current service cost	**P15,056,811**	P25,811,676
Interest cost	**5,093,826**	6,963,617
Net actuarial loss recognized during the period	**1,037,723**	1,348,592
	P21,188,360	P34,123,885

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

	In Percentages	
	July 31 2012	December 31 2011
Discount rate	**6.29%**	6.29%
Future salary increase	**10.00%**	10.00%

The historical information of the amounts for the current period and annual previous periods follows:

	July 31 2012	December 31 2011	December 31 2010	December 31 2009
Present value of defined benefit obligation	**P158,978,507**	P138,827,870	P87,045,217	P67,711,518
Experience adjustments on plan liabilities	-	19,007,360	-	47,679,680

21. Income Taxes

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

	July 31 2012 (Seven-Month)	December 31 2011 (One Year)
Income before income tax	**P1,226,286,553**	P1,948,405,014
Income tax expense at the statutory income tax rate	**P367,885,966**	P584,521,504
Income tax effects of:		
Interest income subjected to final tax	**(12,455,833)**	(7,492,662)
Nontaxable income subjected to final tax	**(2,074,883)**	(58,594)
Dividend income subjected to final tax	**(166,238)**	(260,025)
Non-deductible other expense	-	2,711,349
Non-deductible interest expense	**87,542**	3,090,723
	P353,276,554	P582,512,295

Deferred tax assets - net are attributable to the following:

	July 31 2012	December 31 2011
Accrued rent expense	**P227,416,977**	P176,416,844
Retirement benefits liability	**28,363,130**	22,006,622
Allowance for impairment losses on receivables	**2,238,698**	1,656,532
Accrued rent income	**(5,235,273)**	(3,499,859)
	P252,783,532	P196,580,139

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 gross amount of temporary difference amounted to P758,056,588 and P588,056,146 as at July 31, 2012 and December 31, 2011, 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 P17,450,911 and P11,666,198 as at July 31, 2012 and December 31, 2011, respectively.

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

22. Equity

Capital Stock and Additional Paid-in Capital

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 in 2011. The additional paid-in capital net of direct transaction costs amounted to P5,168,821,728.

During the period, the Company acquired 100% equity interest of Kareila in exchange for the 766,406,250 common shares of the Company's authorized but unissued capital stock. The fair value of shares as at the acquisition date is P21.50 per share. The additional paid-in capital net of direct transaction costs amounted to P15,711,328,125.

Retained Earnings

On May 8, 2012, the Board of Directors declared a special cash dividend of P0.20 per share or P400,000,000 to stockholders of record as at May 22, 2012, paid on June 5, 2012.

23. Basic/Diluted EPS Computation

Basic/Diluted EPS is computed as follows:

	July 31 2012	December 31 2011	December 31 2010
Net income	**P873,009,999**	P1,365,892,719	P483,888,623
Weighted average number of common shares			
Issued common shares at January 1	**2,000,000,000**	1,450,000,000	-
Subscribed ordinary shares at January 1	-	-	796,081,168
Effect of shares dividend in 2010	-	-	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	-
Effect of shares issued in May 2012	**218,973,214**	-	-
	2,218,973,214	1,600,000,000	1,265,727,543
Earnings per share	**P0.39**	P0.85	P0.38

24. Financial Risk Management Objectives and Policies

Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. All risks faced by the Company 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 Company's operations and detriment forecasted results. The Company, 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 Company would incur if credit customers and counterparties fail to perform their contractual obligations. The risk arises principally from the Company's cash and cash equivalents, investment in trading securities, receivables, restricted cash and cash equivalents, AFS financial assets, due from related parties and security deposits. The objective is to reduce the risk of loss through default by counterparties.

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period follows:

	Note	**July 31 2012**	December 31 2011
Cash in banks and cash equivalents	*4*	**P818,458,109**	P1,461,673,013
Investments in trading securities	*7*	**32,084,495**	24,000,214
Receivables - net	*5*	**176,279,791**	379,648,741
Due from related parties	*19*	**321,281,654**	760,979,815
Restricted cash and cash equivalents	*10*	**771,756,397**	2,286,731,084
Security deposits	*10*	**568,077,675**	469,768,107
AFS financial assets	*11*	**7,879,160**	7,879,160
		P2,695,817,281	P5,390,680,134

The Company had assessed the credit quality of restricted and unrestricted cash and cash equivalents as high grade since this was deposited in reputable banks with low probability of insolvency. Same assessment was made to investments in trading securities and AFS financial assets given that the investees have good financial performance based on their annual reports.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Based on historical default rates, the Company believes that, apart from the allowance for impairment losses presented in Note 5, no impairment allowance is necessary in respect of trade receivables that were past due but not impaired because such accounts relate to credit card transactions. The Company partners only with reputable credit card companies affiliated with major banks.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company 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 Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

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

	As at July 31, 2012				
	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)	**P4,245,517,529**	**P4,245,517,529**	**P4,245,517,529**	**P -**	**P -**
Trust receipts payable	**12,684,875**	**12,684,875**	**12,684,875**	**-**	**-**
Other current liabilities (excluding promotion fund, exclusive fund and gift cheques)	**91,867,546**	**91,867,546**	**91,867,546**	**-**	**-**
Noncurrent accrued rent	**758,056,588**	**758,056,588**	**10,132,897**	**48,591,304**	**699,332,387**
Due to related parties	**36,757,092**	**36,757,092**	**36,757,092**	**-**	**-**

	As at 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 withholding taxes payable)	P5,353,441,088	P5,353,441,088	P5,353,441,088	P -	P -
Trust receipts payable	21,299,667	21,299,667	21,299,667	-	-
Other current liabilities (excluding promotion fund, exclusive fund and gift cheques)	80,719,507	80,719,507	80,719,507	-	-
Noncurrent accrued rent	588,056,146	588,056,146	236,695	29,969,851	557,849,600
Due to a related party	7,672,199	7,672,199	7,672,199	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Market Price Risk

The risk from price changes relates to the Company's ability to recover high purchase costs through price increases to customers. The Company minimizes its exposure to risks in changes in price by entering into contracts with related parties and suppliers that are already trusted by the Company and by maintaining its credit line.

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 Company 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 Company to cash flow interest rate risk.

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

	July 31 2012	December 31 2011
Variable rate		
Financial assets	**P1,638,488,304**	P3,748,404,097
Financial liabilities	**12,684,875**	21,299,667

Sensitivity Analysis
A 2% increase in interest rates would have decreased equity and net income by P35.52 million and P74.5 million for July 31, 2012 and December 31, 2011, respectively. A 2% decrease in interest rates would have had the equal but opposite effect, on the basis that all other variables remain constant.

This sensitivity analysis is based on interest rate variances that the Company considered to be reasonably possible at the reporting period.

Capital Management
The Company'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 Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company'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 Company's external environment and the risks underlying the Company's business operations and industry.

The Company defines capital as paid-up capital, additional paid-in capital and retained earnings.

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

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

25. Financial Instruments

The table below presents a comparison by category of carrying amounts and fair values of the Company's financial instruments (expressed in millions) as at July 31, 2012 and December 31, 2011:

	July 31, 2012		December 31, 2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P976.10**	**P976.10**	P1,715.66	P1,715.66
Investments in trading securities	**320.84**	**320.84**	24.00	24.00
Receivables - net	**176.28**	**176.28**	379.65	379.65
Due from related parties	**321.28**	**321.28**	760.98	760.98
Restricted cash and cash equivalents	**771.76**	**771.76**	2,286.73	2,286.73
Available-for-sale financial assets (included under "Investments" account in the statements of financial position)	**7.88**	**7.88**	7.88	7.88
Security deposits (included under "Other noncurrent assets" account in the statements of financial position)	**568.08**	**568.08**	469.77	469.77
Financial Liabilities				
Accounts payable and accrued expenses (excluding statutory payables)	**4,245.52**	**4,245.52**	5,353.44	5,353.44
Due to related parties	**36.76**	**36.76**	7.67	7.67
Trust receipts payable	**12.68**	**12.68**	21.30	21.30
Other current liabilities (excluding promotion fund, exclusive fund and gift cheques)	**91.87**	**91.87**	80.72	80.72
Noncurrent accrued rent	**758.06**	**758.06**	588.06	588.06

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

Cash and Cash Equivalents, Receivables, Due from Related Parties, Restricted Cash and Cash Equivalents and Security Deposits

The carrying amounts of unrestricted and restricted cash and cash equivalents, receivables and due from related parties 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 Financial Assets

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

Accounts Payable and Accrued Expenses, Due to Related Parties, Trust Receipts Payable, Noncurrent Accrued Rent and Other Current Liabilities

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

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).

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Investments in trading securities	**P32,084,495**	**P -**	**P -**	**P32,084,495**
Available-for-sale financial assets	**7,879,160**	-	-	**7,879,160**

In 2012, 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.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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 accompanying interim separate financial statements of Puregold Price Club, Inc. (the "Company") as at and for the seven-month period ended July 31, 2012 and as at and for year ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated October 11, 2012.

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

- Map of the Company
- Schedule of Philippine Financial Reporting Standards
- Schedule required for listed companies that recently offered securities to the public, representing the receipt and utilization of proceeds
- Reconciliation of Retained Earnings Available for Dividend Declaration

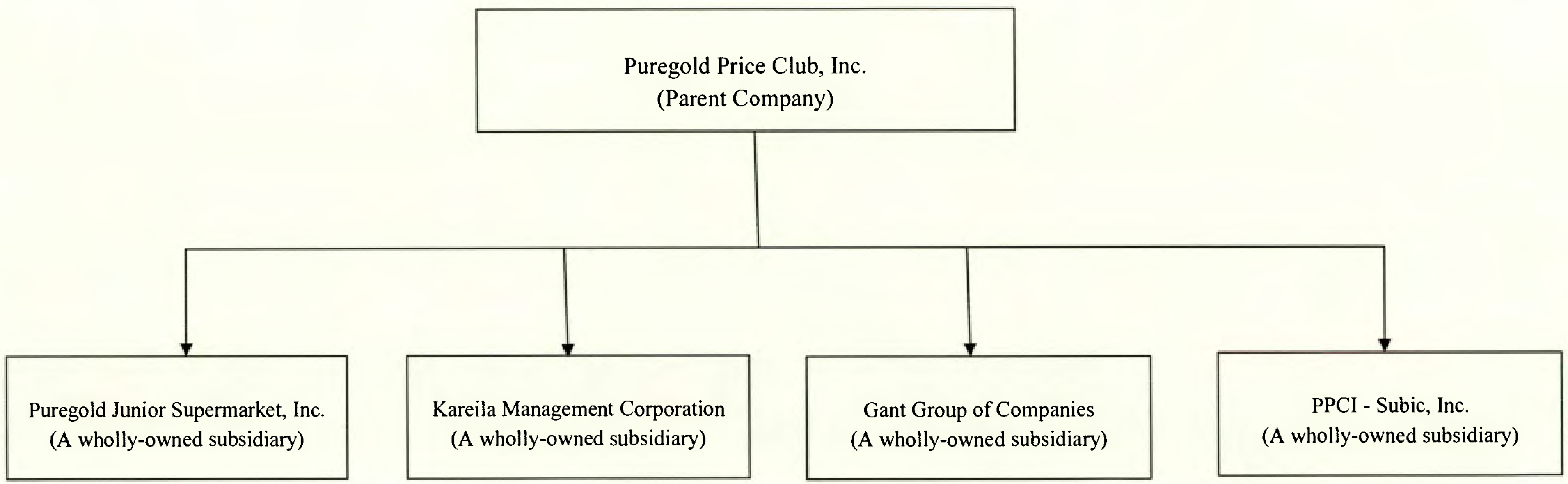
This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic interim separate financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic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

MANABAT SANAGUSTIN & CO., CPAs

ARTHUR Z. MACHACON
Partner
CPA License No. 0090279
SEC Accreditation No. 1189-A, Group A, valid until February 15, 2015
Tax Identification No. 164-607-040
BIR Accreditation No. 08-001987-29-2011
Issued November 3, 2011; valid until November 2, 2014
PTR No. 3174111MA
Issued January 2, 2012 at Makati City

October 11, 2012
Makati City, Metro Manila

Puregold Price Club, Inc. and Subsidiaries
MAP of Relationship between the Parent Company and the Subsidiaries
As at July 31, 2012



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	Adopted
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	Not applicable
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

ANNEX A

PUREGOLD PRICE CLUB, INC.
900 Romualdez Street, Paco, Manila
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

(Figures based on functional currency audited financial statements)

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		P1,937,235,148
Add: Net **income actually earned/realized** during the period		
Net income (loss) during the seven-month period closed to Retained Earnings	P873,009,999	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustments of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	873,009,999	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
	-	
Net income actually earned during the period		2,810,245,147
Add (less):		
Dividend declarations during the period	(400,000,000)	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
	-	
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		P2,410,245,147

PUREGOLD JUNIOR SUPERMARKET, INC.

INTERIM FINANCIAL STATEMENTS
July 31, 2012 and December 31, 2011

PUREGOLD jr.® SUPERMARKET, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Puregold Junior Supermarket, Inc.** (the Company), is responsible for the preparation and fair presentation of the financial statements as at and for the seven-month period ended **July 31, 2012** and for the year ended **December 31, 2011**, 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 Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

LUCIO L. CO
Chairman/President

LEONARDO B. DAYAO
Vice President

PAMELA JUSTINE P. CO
Treasurer

Signed this 11th day of October 2012

SUBSCRIBED AND SWORN to before me, this OCT 16 2012 day of __________ 2012 at MANILA; affiants exhibited to me their Tax Identification Numbers Lucio L. Co 108-975-971, Leonardo B. Dayao 135-546-815 and Pamela Justine P. Co 212-169-431.

Doc No. 441
Page No. 89
Book No. 61
Series of 2012

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC - CITY OF MANILA
ADMIN. NO. 2011-009-UNTIL DEC. 31, 2012
ROLL NO. 54899
NO. 945 BENAVIDEZ ST. BINONDO MANILA
IBP NO. 864212/12-28-2011 MANILA
PTR NO. MLA. 0314224/12-19-2011 MANILA
MCLE COMPLIANCE NO. III-0016304

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Puregold Junior Supermarket, Inc.
900 D. Romualdez St.
Paco, Manila

We have audited the accompanying interim financial statements of Puregold Junior Supermarket, Inc. (the "Company"), which comprise the interim statements of financial position as at July 31, 2012 and December 31, 2011, and the interim statements of comprehensive income, interim statements of changes in equity and interim statements of cash flows for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Interim Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the interim 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 interim 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 interim financial statements.

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

KPMG

Opinion

In our opinion, the interim financial statements present fairly, in all material respects, the financial position of Puregold Junior Supermarket, Inc. as at July 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matters

As discussed in Note 1 to the interim financial statements, on August 14, 2012, the Company entered into a Merger Agreement with Puregold Price Club, Inc. and Gant Group of Companies, Inc., with Puregold Price Club, Inc., parent Company, as the surviving entity. As a result, all assets and liabilities of Puregold Junior Supermarket, Inc. and Gant Group of Companies, Inc. will be absorbed by the Parent Company and the corporate existence of the absorbed entities will cease upon the effective date of the merger, which shall be the date the Securities and Exchange Commission (SEC) approves and issues the Certificate of Merger.

Also, as discussed in Note 2 to the interim financial statements, the accompanying interim financial statements as at and for the seven-month period ended July 31, 2012 were prepared for the purpose of filing an application with the SEC for a planned merger of the Company with Puregold Price Club, Inc. and Gant Group of Companies, Inc. As a result, the information presented in the interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the seven-month period ended July 31, 2012 is not entirely comparable with those for the year ended December 31, 2011.

Limitation of Use

This report is intended solely for the information and use of the SEC, the Board of Directors, stockholders and the management of the Company and is not intended to be and should not be used by anyone other than these specified parties.

MANABAT SANAGUSTIN & CO., CPAs

ARTHUR Z. MACHACON
Partner
CPA License No. 0090279
SEC Accreditation No. 1189-A, Group A, valid until February 15, 2015
Tax Identification No. 164-607-040
BIR Accreditation No. 08-001987-29-2011
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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Puregold Junior Supermarket, Inc.
900 D. Romualdez St.
Paco, Manila

We have audited the accompanying interim financial statements of Puregold Junior Supermarket, Inc. as at and for the seven-month period ended July 31, 2012, on which we have rendered our report thereon dated October 11, 2012.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

MANABAT SANAGUSTIN & CO., CPAs

ARTHUR Z. MACHACON
Partner
CPA License No. 0090279
SEC Accreditation No. 1189-A, Group A, valid until February 15, 2015
Tax Identification No. 164-607-040
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Issued November 3, 2011; valid until November 2, 2014
PTR No. 3174111MA
Issued January 2, 2012 at Makati City

October 11, 2012
Makati City, Metro Manila

PUREGOLD JUNIOR SUPERMARKET, INC.
INTERIM STATEMENTS OF FINANCIAL POSITION
JULY 31, 2012 AND DECEMBER 31, 2011

	Note	**July 31 2012**	December 31 2011
ASSETS			
Current Assets			
Cash	*4, 20, 21*	**P59,962,153**	P239,504,167
Receivables	*5, 20, 21*	**16,628,554**	30,708,690
Merchandise inventory	*6*	**689,027,251**	663,819,870
Due from related parties	*16, 20, 21*	**16,652,264**	-
Prepaid expenses and other current assets	*7*	**137,336,511**	138,881,928
Total Current Assets		**919,606,733**	1,072,914,655
Noncurrent Assets			
Property and equipment - net	*8*	**865,873,906**	725,662,373
Deferred tax assets - net	*18*	**33,510,062**	23,559,155
Other noncurrent assets	*9, 13, 18, 20, 21*	**163,125,936**	127,003,748
Total Noncurrent Assets		**1,062,509,904**	876,225,276
		P1,982,116,637	P1,949,139,931
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*10, 20, 21*	**P624,196,183**	P822,159,609
Due to related parties	*16, 20, 21*	**241,391,453**	762,163,200
Income tax payable		**30,287,463**	22,507,077
Deposit for future stock subscription	*19*	**550,000,000**	-
Other current liabilities	*11, 20, 21*	**71,664,781**	19,410,712
Total Current Liabilities		**1,517,539,880**	1,626,240,598
Noncurrent Liabilities			
Noncurrent accrued rent	*18, 20, 21*	**109,010,213**	75,686,387
Retirement benefits liability	*17*	**4,925,696**	3,001,573
Total Noncurrent Liabilities		**113,935,909**	78,687,960
Total Liabilities		**1,631,475,789**	1,704,928,558
Equity			
Capital stock		**50,000,000**	50,000,000
Retained earnings		**300,640,848**	194,211,373
Total Equity		**350,640,848**	244,211,373
		P1,982,116,637	P1,949,139,931

See Notes to the Financial Statements.

PUREGOLD JUNIOR SUPERMARKET, INC.
INTERIM STATEMENTS OF COMPREHENSIVE INCOME

		For the Periods Ended	
	Note	**July 31 2012 (Seven-Month)**	December 31 2011 (One Year)
GROSS SALES		**P3,850,249,885**	P4,700,032,929
SALES DISCOUNT		**4,270,300**	5,333,353
NET SALES		**3,845,979,585**	4,694,699,576
COST OF SALES	*12*	**3,232,352,004**	3,928,446,164
GROSS PROFIT		**613,627,581**	766,253,412
OTHER OPERATING INCOME	*14*	**88,180,939**	105,457,086
		701,808,520	871,710,498
OPERATING EXPENSES	*15*	**549,952,367**	615,575,576
INCOME FROM OPERATIONS		**151,856,153**	256,134,922
INTEREST INCOME		**130,168**	167,612
INCOME BEFORE INCOME TAX		**151,986,321**	256,302,534
INCOME TAX EXPENSE	*18*		
Current		**55,507,753**	88,726,354
Deferred		**(9,950,907)**	(11,525,908)
		45,556,846	77,200,446
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P106,429,475**	P179,102,088

See Notes to the Interim Financial Statements.

PUREGOLD JUNIOR SUPERMARKET, INC.
INTERIM STATEMENTS OF CHANGES IN EQUITY

		For the Periods Ended	
	Note	**July 31 2012 (Seven-Month)**	December 31 2011 (One Year)
CAPITAL STOCK - P100 par value Authorized - 500,000 shares Issued and outstanding - 500,000 shares		**P50,000,000**	P50,000,000
RETAINED EARNINGS			
Balance at beginning of period		**194,211,373**	15,109,285
Net income for the period		**106,429,475**	179,102,088
Balance at end of period		**300,640,848**	194,211,373
		P350,640,848	P244,211,373

See Notes to the Interim Financial Statements.

PUREGOLD JUNIOR SUPERMARKET, INC.
INTERIM STATEMENTS OF CASH FLOWS

		For the Periods Ended	
	Note	**July 31 2012 (Seven-Month)**	December 31 2011 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P151,986,321**	P256,302,534
Adjustments for:			
Depreciation and amortization	*8, 15*	**59,722,213**	67,155,421
Accrued rent		**33,323,826**	35,575,565
Retirement benefits cost	*17*	**1,924,123**	3,001,573
Interest income		**(130,168)**	(167,612)
Operating income before changes in working capital		**246,826,315**	361,867,481
(Increase) decrease in:			
Receivables		**14,080,136**	(20,183,831)
Merchandise inventory		**(25,207,381)**	(330,999,030)
Due from related parties		**(16,652,264)**	-
Prepaid expenses and other current assets		**1,545,417**	(51,368,500)
Increase (decrease) in:			
Accounts payable and accrued expenses		**(204,191,075)**	313,483,958
Due to related parties		**(522,694,737)**	1,183,385
Other current liabilities		**52,254,069**	(28,280,230)
Cash (absorbed by) generated from operations		**(454,039,520)**	245,703,233
Income taxes paid		**(47,727,367)**	(78,904,435)
Interest received		**130,168**	167,612
Net cash (used in) provided by operating activities		**(501,636,719)**	166,966,410
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*8*	**(195,014,013)**	(310,439,050)
Proceeds from disposal of property and equipment		**1,307,916**	1,015,314
Increase in other noncurrent assets		**(36,122,188)**	(53,504,571)
Increase in due to related parties		**1,922,990**	-
Net cash used in investing activities		**(227,905,295)**	(362,928,307)
CASH FLOW FROM FINANCING ACTIVITIES			
Deposit for future stock subscription	*19*	**550,000,000**	-
Increase in due to related parties		**-**	318,679,815
Net cash provided by financing activities		**550,000,000**	318,679,815
NET (DECREASE) INCREASE IN CASH		**(179,542,014)**	122,717,918
CASH AT BEGINNING OF PERIOD	*4*	**239,504,167**	116,786,249
CASH AT END OF PERIOD	*4*	**P59,962,153**	P239,504,167

See Notes to the Interim Financial Statements.

PUREGOLD JUNIOR SUPERMARKET, INC.
NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Reporting Entity

Puregold Junior Supermarket, Inc. (the "Company") was incorporated and registered with the Securities and Exchange Commission (SEC) on July 24, 2008.

The Company is principally involved in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis.

Its registered office is located at 900 D. Romualdez St., Paco, Manila.

As at July 31, 2012, the Company has thirty-two (32) operating stores.

The Company is 100% owned by Puregold Price Club, Inc. (PPCI). PPCI is engaged in the same industry and business to which the Company belongs.

Plan of Merger
On August 14, 2012, the Board of Directors approved the Company's planned merger with Puregold Price Club, Inc. (PPCI) and Gant and Group of Companies, Inc. (Gant). It will be ratified by at least two-thirds (2/3) votes of the stockholders during its special meeting called for the purpose.

Salient features of the Plan of Merger are as follows:

- PPCI shall be the surviving entity and the corporate existence of PJSI and Gant shall cease.

- All the assets, rights, powers, privileges, immunities, franchises and businesses of PJSI and Gant as at the effective date of the merger, shall be deemed assigned, transferred to and vested in the Section 80(A) of the Corporation Code, without need of any further act or deed.

- Upon the effective date of merger, PPCI shall assume all outstanding liabilities, obligations and undertakings of PJSI and Gant as at the effective date of merger.

- All issued and outstanding capital stock of PJSI and Gant on the effective date of the merger shall be cancelled but no new shares of stock shall be issued to the stockholders of PJSI and Gant considering that the constituent entities are wholly-owned subsidiaries of PPCI.

2. Basis of Preparation

Statement of Compliance
The interim financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRSs). PFRSs includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

The interim financial statements of the Company as at and for the seven-month period ended July 31, 2012 were approved and authorized for issuance by management on October 11, 2012, as authorized by the Board of Directors on the same date.

The interim financial statements as at and for the seven-month period ended July 31, 2012 was prepared for the purpose of filing an application with SEC for a planned merger of the Company with Puregold Price Club, Inc., parent Company and Gant Group of Companies, entity under common control. As a result, the information presented in the interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the seven-month period ended July 31, 2012 are not entirely comparable with those for the year ended December 31, 2011.

Basis of Measurement

The Company's interim financial statements have been prepared on the historical cost basis of accounting.

Functional and Presentation Currency

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

Use of Estimates and Judgments

The Company's interim financial statements prepared in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the interim 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 Company'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 interim financial statements:

Determination of Functional Currency

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

Assessing Lease Agreements

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

Operating Leases - Company as a Lessee

The Company has entered into various lease agreements as a lessee. The Company 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 expense recognized in profit or loss amounted to P112.05 million and P116.42 million as at July 31, 2012 and December 31, 2011, respectively (see Notes 13 and 15).

Operating Leases - Company as a Lessor
The Company has entered into various lease agreements as a lessor to sublease portion of its stores to various lessees. The Company, as 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 P8.88 million and P6.43 million for the seven-month period ended July 31, 2012 and year ended December 31, 2011, respectively (see Notes 13 and 14).

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

Estimating Allowance for Impairment Losses on Receivables
The Company reviews the collectibility of its receivables and maintains an allowance for impairment losses on receivables, if necessary, at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Company on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with debtors and, their payment behavior and known market factors. The Company 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 Company made different judgment or utilized different estimates. An increase in the Company's allowance for impairment losses on receivables would increase the Company's recorded operating expenses and decrease current assets.

The Company has no allowance for impairment losses on receivables as at July 31, 2012 and December 31, 2011. The Company's receivables amounted to P16.63 million and P30.71 million as at July 31, 2012 and December 31, 2011, respectively (see Note 5). On the input value-added tax, management believes that it is fully realizable; hence, no allowance for impairment has been recognized.

Estimating Net Realizable Value (NRV) of Merchandise Inventory
The Company carries its 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., pre-termination of contracts). The estimate of the NRV is reviewed regularly (see Note 6).

The Company's merchandise inventory amounted to P689.03 million and P663.82 million as at July 31, 2012 and December 31, 2011, respectively.

Estimating Useful Lives of Property and Equipment
The Company 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 financial performance 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 P171.95 million and P112.34 million as at July 31, 2012 and December 31, 2011, respectively. Property and equipment, net of accumulated depreciation and amortization, amounted to P865.87 million and P725.66 million as at July 31, 2012 and December 31, 2011, respectively (see Note 8).

Estimating Realizability of Deferred Tax Assets
The Company 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 Company reviews its projected performance in assessing the sufficiency of future taxable income.

Deferred tax assets amounted to P33.51 million and P23.56 million as at July 31, 2012 and December 31, 2011, respectively (see Note 18).

Impairment of Non-Financial Assets
PFRSs require that an impairment review be performed on non-financial assets other than merchandise inventory and deferred tax assets when events or changes in circumstances indicate that the carrying 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 interim 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 at July 31, 2012 and December 31, 2011.

Estimating Retirement Benefits
The determination of the Company'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 PFRSs, 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 Company has a net cumulative unrecognized actuarial losses amounting to P2.71 million and P2.75 million as at July 31, 2012 and December 31, 2011, respectively (see Note 17).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these interim financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Revised Standards, Amendments to Standards and Interpretations
The FRSC approved the adoption of a number of new and revised standards, amendments to standards, and interpretations based on IFRIC Interpretations as part of PFRSs.

Adopted Effective January 1, 2012
The Company has adopted the following PFRSs starting January 1, 2012 and accordingly has changed its accounts policies in the following areas:

- *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 interim 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.

The adoption of the above amendments to standards did not have a material effect on the Company's interim financial statements.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these interim financial statements. None of these is expected to have a significant effect on the interim financial statements of the Company, except for PFRS 9, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

The Company will adopt the following new and revised standards and amendments to standards in the respective effective dates:

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 13, *Fair Value Measurement*. PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs 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 PFRSs. 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.

To be Adopted on January 1, 2015

- 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 Company will assess the impact of the above revised standards and amendments to standards on the interim financial statements upon their adoption in their respective effective dates.

Financial Instruments
Date of Recognition
The Company recognizes a financial asset or a financial liability in the interim 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 Company 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 Company 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 Company's financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company had no HTM investments, AFS financial assets and FVPL financial assets and liabilities as at July 31, 2012 and December 31, 2011.

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.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial asset 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 as part of "Interest income" in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Company's cash, receivables, due from related parties and security deposits are included in this category (see Notes 4, 5, 9 and 13).

Cash includes cash on hand and in banks which are stated at face 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 Company's accounts payable and accrued expenses, due to related parties, other current liabilities and noncurrent accrued rent are included in this category (see Notes 10, 11 and 16).

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 Company 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 Company 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 Company 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 Company'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 Company 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 interim 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 interim 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 Company. 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	30
Computer software	5
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.

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.

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 Company 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 Company'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 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 Company's plan. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognized as income or expense 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.

Deposit for Future Stock Subscription

On April 30, 2012, the Company received P550 million from its stockholders as deposit for future stock subscription for 5,500,000 common shares. Upon approval by the SEC, the deposit will be applied to capital stock for the aggregate par value and additional paid-in capital will be recognized for the excess in par value.

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 Company 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 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.

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 Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 Company 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 interim statements of financial position.

Leases
Company 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.

Company as Lessor
Leases where the Company 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 common 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.

Provisions and Contingencies
A provision is recognized when the Company 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 interim financial statements. These are disclosed in the notes to the interim financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the interim financial statements but are disclosed in the notes to the interim financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post period-end events that provide additional information about the Company's position at the reporting date (adjusting events) are recognized in the interim financial statements. Post period-end events that are not adjusting events are disclosed in the notes to the interim financial statements when material.

4. Cash

This account consists of:

	Note	**July 31 2012**	December 31 2011
Cash on hand		**P34,108,028**	P47,781,669
Cash in banks	*20*	**25,854,125**	191,722,498
	21	**P59,962,153**	P239,504,167

Cash in banks earns annual interest at the respective bank deposit rates.

5. Receivables

This account consists of:

	Note	**July 31 2012**	December 31 2011
Trade		**P7,175,186**	P21,527,419
Non-trade receivables		**9,453,368**	9,181,271
	20, 21	**P16,628,554**	P30,708,690

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

The aging of trade receivables is as follows:

	July 31 2012	December 31 2011
Current	**P6,839,807**	P18,354,167
Past due 1- 30 days	**244,030**	2,406,576
Past due 31 - 60 days	**65,199**	745,279
More than 60 days	**26,150**	21,397
	P7,175,186	P21,527,419

Majority of trade receivables are credit card transactions. The Company partners only with reputable credit card companies affiliated with major banks. Management believes all receivables are collectible and therefore, no allowance is necessary.

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 as at July 31, 2012 and December 31, 2011 is lower than NRV.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	July 31 2012	December 31 2011
Prepaid expenses:		
Rent	**P29,401,810**	P31,623,595
Insurance	**7,043,960**	6,411,709
Taxes and licenses	**6,949,441**	2,619,288
Repairs and maintenance	**25,807**	-
Input value-added tax (VAT) - net	**93,915,493**	98,227,336
	P137,336,511	P138,881,928

Input VAT - net represents accumulated input taxes from purchases of goods and services for rendering business operations, and purchases of materials and services for building and leasehold construction which can be applied against future output VAT.

8. Property and Equipment

The movements and balances of this account consist of:

	Computer Software	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Building	Construction in Progress	Total
Cost:							
Balance, January 1, 2011	P2,227,025	P61,709,556	P185,144,817	P212,252,501	P -	P54,503,393	P515,837,292
Additions	-	48,598,116	142,580,086	120,330,467	11,739,036	15,000	323,262,705
Disposal	-	(529,082)	(566,965)	-	-	-	(1,096,047)
Reclassifications	-	838,132	1,700,447	8,613,564	43,351,250	(54,503,393)	-
Balance, December 31, 2011	2,227,025	110,616,722	328,858,385	341,196,532	55,090,286	15,000	838,003,950
Additions	-	34,095,136	55,352,728	64,056,347	133,433	47,604,018	201,241,662
Disposal	-	-	(1,419,906)	-	-	-	(1,419,906)
Reclassifications	-	166,511	(66,725)	(84,786)	-	(15,000)	-
Balance, July 31, 2012	**2,227,025**	**144,878,369**	**382,724,482**	**405,168,093**	**55,223,719**	**47,604,018**	**1,037,825,706**
Accumulated depreciation and amortization:							
Balance, January 1, 2011	394,081	6,197,151	29,510,800	9,164,857	-	-	45,266,889
Depreciation and amortization	213,271	8,178,089	44,541,155	12,836,510	1,386,396	-	67,155,421
Disposal	-	-	(80,733)	-	-	-	(80,733)
Reclassifications	-	88,962	96,851	(185,813)	-	-	-
Balance, December 31, 2011	607,352	14,464,202	74,068,073	21,815,554	1,386,396	-	112,341,577
Depreciation and amortization	124,408	7,752,773	39,304,704	11,412,968	1,127,360	-	59,722,213
Disposal	-	-	(111,990)	-	-	-	(111,990)
Reclassifications	-	23,074	(22,242)	(832)	-	-	-
Balance, July 31, 2012	**731,760**	**22,240,049**	**113,238,545**	**33,227,690**	**2,513,756**	**-**	**171,951,800**
Carrying amount:							
December 31, 2011	P1,619,673	P96,152,520	P254,790,312	P319,380,978	P53,703,890	P15,000	P725,662,373
July 31, 2012	**P1,495,265**	**P122,638,320**	**P269,485,937**	**P371,940,403**	**P52,709,963**	**P47,604,018**	**P865,873,906**

9. Other Noncurrent Assets

This account consists of:

	Note	July 31 2012	December 31 2011
Security deposits	*13, 20, 21*	**P127,791,434**	P97,494,424
Noncurrent advance rent		**33,098,800**	29,351,880
Accrued rent income	*18*	**2,235,702**	157,444
		P163,125,936	P127,003,748

10. Accounts Payable and Accrued Expenses

This account consists of:

	July 31 2012	December 31 2011
Trade	**P361,534,713**	P577,916,713
Nontrade	**138,061,705**	126,680,428
Withholding taxes payable	**9,077,230**	9,492,211
Accrued expenses		
Manpower agency services	**57,594,733**	47,239,966
Advances from concessionaires	**37,357,780**	36,037,672
Accrued utilities	**7,598,915**	11,125,933
Accrued fixed assets	**6,227,649**	12,823,655
Accrued 13th month pay	**3,457,614**	-
Accrued rent	**2,481,940**	519,812
Preventive maintenance	**392,626**	-
Professional fee	**344,135**	300,000
Others	**67,143**	23,219
	P624,196,183	P822,159,609

Nontrade payables are liabilities of the Company arising from purchases of goods and services not intended for re-selling but essential to its operations.

11. Other Current Liabilities

This account consists of:

	Note	July 31 2012	December 31 2011
Promotion fund		**P29,605,928**	P8,412,909
Deposits		**41,919,853**	10,902,403
Cashier's bond		**139,000**	95,400
	20, 21	**P71,664,781**	P19,410,712

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

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

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

12. Cost of Sales

This account consists of:

	Note	**July 31 2012 (Seven-Month)**	December 31 2011 (One Year)
Beginning inventory		**P663,819,870**	P332,820,840
Add purchases		**3,257,559,385**	4,259,445,194
Total goods available for sale		**3,921,379,255**	4,592,266,034
Less ending inventory	*6*	**689,027,251**	663,819,870
		P3,232,352,004	P3,928,446,164

13. Lease Agreements

As Lessee

The Company leases land and building where some of its stores are situated or constructed. The terms of the lease are for the periods ranging from 5-35 years, renewable for the same period under the same terms and conditions. The rent shall escalate by an average of 3% to 10%. Rental payments are fixed amount based on the contracts.

The Company is required to pay security deposits on the above leases which is either fixed monthly rent or is calculated with reference to a fixed sum per square meter of area leased. This is shown under "Other noncurrent assets" account in the interim statements of financial position.

Rent expense included under "Operating expense" account in the statement of comprehensive income amounted to P112.05 million and P116.42 million for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011, respectively (see Note 15).

The Company subleases portion of its store space to PPCI, parent company, for an average lease term of one to ten years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are set at a fixed amount. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other Payables" account in the interim separate statements of financial position.

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

	July 31 2012	December 31 2011
Due within one year	**P185,656,033**	P138,099,261
Due more than one year but not more than five years	**1,051,368,578**	733,576,360
Due more than five years	**3,193,692,299**	2,160,300,411
	P4,430,716,910	P3,031,976,032

As Lessor

The Company subleases portion of its store space to various lessees for an average lease term of one to three years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are set at a fixed amount. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other Current Liabilities" account in the interim statements of financial position.

Rent income recognized in profit or loss amounted to P8.88 million and P6.43 million for the seven-month periods ended July 31, 2012 and December 31, 2011, respectively (see Note 14).

The scheduled maturities of future rental payments are as follows:

	July 31 2012	December 31 2011
Due within one year	**P7,228,814**	P4,496,682
Due more than one year but not more than five years	**6,384,096**	3,662,237
Due more than five years	**1,093,365**	-
	P14,706,275	P8,158,919

14. Other Operating Income

This account consists of:

	Note	July 31 2012 (Seven-Month)	December 31 2011 (One Year)
Display allowance		**P38,609,335**	P41,692,375
Concession income		**36,952,386**	51,621,422
Rent income	*13*	**8,878,132**	6,428,455
Miscellaneous		**3,741,086**	5,714,834
		P88,180,939	P105,457,086

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 of the stores.

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

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

15. Operating Expenses

This account consists of:

	Note	**July 31 2012 (Seven-Month)**	December 31 2011 (One Year)
Rent	*13*	**P112,050,183**	P116,420,015
Manpower agency services		**107,185,532**	122,910,602
Communication, light and water		**87,306,008**	93,612,030
Depreciation and amortization	*8*	**59,722,213**	67,155,421
Salaries and wages		**48,784,412**	58,225,361
Security services		**39,382,351**	45,032,979
Store and office supplies		**27,892,835**	35,057,299
Taxes and licenses		**15,623,305**	10,336,156
Janitorial and messengerial services		**10,838,575**	14,468,140
Repairs and maintenance		**10,345,698**	10,547,648
Insurance		**7,060,344**	7,852,637
Disallowed input value added tax		**5,906,877**	6,831,404
Donations		**4,479,020**	7,828,320
SSS/Medicare and HDMF contributions		**3,846,562**	4,717,921
Retirement expense		**1,924,123**	3,001,573
Royalty expense		**1,922,990**	1,183,386
Fuel and oil		**1,648,401**	2,285,575
Transportation		**598,348**	631,157
Representation and entertainment		**397,231**	3,284,383
Professional fee		**320,687**	277,200
Miscellaneous		**2,716,672**	3,916,369
		P549,952,367	P615,575,576

16. Related Party Transactions

In the ordinary course of business, the Company entered transactions with its related parties as follows:

a. Lease of land and building

The Company leases the land and building from its parent, PPCI and its affiliates, Pajusco Realty Corporation, VFC Land Resources, Ellimac Primeholdings and KMC Realty where some stores are located. The Company shall pay its affiliates a minimum fixed amount or is calculated with reference to a fixed sum per square meter of area leased. Rent expense included under "Operating expense" account in the interim statements of comprehensive income amounted to P6.97 million and P8.64 million for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011, respectively. Outstanding security deposits for these lease agreements included under Noncurrent assets account amounted to P12.20 million and P11.00 million as at July 31, 2012 and December 31, 2011, respectively.

b. Sublease of building

The Company has existing lease agreements with Puregold Price Club, Inc. as at July 31, 2012. The total rent income amounted to P0.70 million for the seven-month period ended July 31, 2012. There was no rent income recognized for the year ended December 31, 2011. The Company has also entered into lease agreement with Puregold Finance, Inc., Company under common control. Rent income recognized by the Company amounted to P0.11 million and P0.24 million for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011, respectively. Security deposits included under "Payable Others" account in the interim statements of financial position amounted to P0.05 million as at July 31, 2012 and December 31, 2011, respectively.

c. Due to and from related parties

The Company has outstanding receivables from related parties arising from sale of merchandise inventories, transfer of property and equipment and rent income. Due from related parties amounted to P16.65 million as at July 31, 2012. There was no due from related party as at December 31, 2011.

The Company has not made any allowance for impairment losses relating to receivables as at July 31, 2012 and December 31, 2011. This assessment is undertaken annually by management through examination of the financial position of the affiliates and the market in which it operates.

The Company has outstanding payables to related parties arising from rent expense, royalty fee, utilities expense and employee benefits. Due to PPCI amounted to P239.49 million and P760.98 million as at July 31, 2012 and December 31, 2011, respectively, while royalty fee and other payable to stockholders of the Company amounted to P1.82 million and P1.18 million as at July 31, 2012 and December 31, 2011, respectively. Employee benefits paid on behalf of PJSI by an affiliate amounted to 0.08 million as at July 31, 2012. There was no employee benefits paid on behalf of PJSI as at December 31, 2011.

These are unsecured, noninterest-bearing and are due and demandable.

d. Royalty agreement

On August 15, 2011, the Company ("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. Royalty fees amounted to P1.92 million and P1.18 million for the seven-month period ended July 31, 2012 and December 31, 2011, respectively.

e. Key Management Compensation

There are no key management compensations for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011 because management charges it to the Parent Company.

17. Retirement Benefits Cost

The Company establishes 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 reconciliation of the liability recognized in the interim statements of financial position as at July 31, 2012 and December 31, 2011 is shown below:

	July 31 2012	December 31 2011
Present value of the defined benefit obligation	**P10,562,184**	P9,171,360
Unrecognized actuarial losses	**(2,714,812)**	(2,749,288)
Unrecognized transitional liability	**(2,921,676)**	(3,420,499)
Retirement benefits liability at reporting date	**P4,925,696**	P3,001,573

The movements of the present value of the defined benefit obligation as at July 31, 2012 and December 31, 2011 are shown below:

	July 31 2012	December 31 2011
Balance at the beginning of period	**P9,171,360**	P4,275,624
Current service cost	**1,054,311**	1,807,391
Interest cost	**336,513**	339,057
Actuarial losses	**-**	2,749,288
Balance at end of period	**P10,562,184**	P9,171,360

The amount of retirement benefits cost recognized in profit or loss for the seven-month period ended July 31, 2012 and for the year ended December 31, 2011 consists of:

	July 31 2012 (Seven-Month)	December 31 2011 (One Year)
Current service cost	**P1,054,311**	P1,807,391
Interest cost	**336,513**	339,057
Amortization of transitional liability	**498,823**	-
Actuarial gains recognized during the period	**34,476**	855,125
	P1,924,123	P3,001,573

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

	July 31 2012	December 31 2011
Discount rate	**6.29%**	6.29%
Future salary increase	**10.00%**	10.00%

The historical information of the amounts for the current period and previous annual period follows:

	July 31 2012	December 31 2011
Present value of defined benefit obligation	**P10,562,184**	P9,171,360
Experience adjustments on plan liabilities	**-**	2,749,288

18. Income Taxes

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

	July 31 2012 (Seven-Month)	December 31 2011 (One Year)
Income before income tax	**P151,986,321**	P256,302,534
Income tax expense at the statutory income tax rate	**P45,595,896**	P76,890,760
Income tax effects of:		
Tax deficiency	**-**	359,969
Interest income subjected to final tax	**(39,050)**	(50,283)
	P45,556,846	P77,200,446

Deferred tax assets - net are attributable to the following:

	July 31 2012	December 31 2011
Accrued rent expense	**P32,703,064**	P22,705,916
Retirement benefits liability	**1,477,709**	900,472
Accrued rent income	**(670,711)**	(47,233)
	P33,510,062	P23,559,155

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 gross amount of temporary difference amounted to P109.01 million and P75.70 million as at July 31, 2012 and December 31, 2011, respectively.

The deferred tax liability pertains to the accrued rent income which is also in compliance with PAS 17. The gross amount of temporary difference is P2.24 million and P0.16 million as at July 31, 2012 and December 31, 2011, respectively.

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.

19. Deposit for Future Stock Subscription

The Board of Directors and Stockholders approved by unanimous vote present at a special meeting held on January 30, 2012 the increase in the Company's authorized capital stock from 500,000 common shares with a par value of P100 to 10,000,000 common shares with a par value of P100. On April 30, 2012, the Company received P550 million as deposit for future stock subscription for 5,500,000 common shares. The Company is in the process of filing the increase in authorized capital stock with the SEC.

20. Financial Risk Management Objectives and Policies

Objectives and Policies

The Company 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 Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company's principal financial instruments include cash and receivables. These financial instruments are used to fund the Company's operations and capital expenditures.

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. All risks faced by the Company 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 Company's operations and detriment forecasted results. The Company, 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 Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises principally from the Company's cash in bank, trade receivables and security deposits.

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.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period follows:

	Note	July 31 2012	December 31 2011
Cash in banks	*4*	**P25,854,125**	P191,722,498
Receivables	*5*	**16,628,554**	30,708,690
Due from related parties	*16*	**16,652,264**	-
Security deposits on leases	*9, 13*	**127,791,434**	97,494,424
		P186,926,377	P319,925,612

The credit risk for cash, receivables, due from related parties and security deposits is considered negligible, since the counterparties are reputable entities with high quality of credit ratings.

The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is their carrying amounts without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company enters into transactions with credit-worthy parties.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company 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 Company'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 assets and financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at July 31, 2012				
	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)	P615,118,953	P615,118,953	P615,118,953	P -	P -
Due to related parties	241,391,453	241,391,453	241,391,453	-	-
Other current liabilities (excluding promotion fund)	42,058,853	42,058,853	42,058,853	-	-
Noncurrent accrued rent	109,010,213	109,010,213	704,224	14,432,974	93,873,015

	As at 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)	P812,667,398	P812,667,398	P812,667,398	P -	P -
Due to related parties	762,163,200	762,163,200	762,163,200	-	-
Other current liabilities (excluding promotion fund)	10,997,803	10,997,803	10,997,803	-	-
Noncurrent accrued rent	75,686,387	75,686,387	336,261	10,652,253	64,697,873

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Market Price Risk

The risk from price changes relates to the Company's ability to recover high purchase costs through price increases to customers. The Company minimizes its exposure to risks in changes in price by entering into contracts with related parties and suppliers that are already trusted by the Company and by maintaining its credit line.

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 Company is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Company to cash flow interest rate risk.

Capital Management

The Company'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 Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company'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 Company's external environment and the risks underlying the Company's business operations and industry.

The Company defines capital as paid-up capital and retained earnings.

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

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

21. Financial Instruments

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

	July 31, 2012		December 31, 2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Millions)		
Financial Assets:				
Cash	**P59.96**	**P59.96**	P239.50	P239.50
Receivables	**16.63**	**16.63**	30.71	30.71
Due from related parties	**16.65**	**16.65**	-	-
Security deposits on leases	**127.79**	**127.79**	97.49	97.49
Financial Liabilities:				
Accounts payable and accrued expenses (excluding statutory payables to the government)	**615.12**	**615.12**	812.67	812.67
Due to related parties	**241.39**	**241.39**	762.16	762.16
Other current liabilities (excluding promotion fund)	**42.06**	**42.06**	11.00	11.00
Noncurrent accrued rent	**109.01**	**109.01**	75.69	75.69

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

Cash, Receivables, Due from Related Parties and Security Deposits. The carrying amounts of cash, trade and other receivables, approximate fair values due to the relatively short-term maturities of these financial instruments. In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Accounts Payable and Accrued Expenses, Due To Related Parties, Other Current Liabilities and Noncurrent accrued rent. The carrying amounts of accounts payable and accrued expenses, due to related parties and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments. In the case of noncurrent rent, the difference between the carrying amounts and fair value is considered immaterial by management.

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Puregold Junior Supermarket, Inc.
900 D. Romualdez Sr. St.
Paco, Manila

We have audited in accordance with Philippine Standards on Auditing, the accompanying interim financial statements of Puregold Junior Supermarket, Inc. (the "Company") as at and for the seven-month period ended July 31, 2012 and as at and for the year ended December 31, 2011, and have issued our report thereon dated October 11, 2012.

Our audits were made for the purpose of forming an opinion on the basic interim financial statements taken as a whole. The supplementary information included in the accompanying Schedule of Philippine Financial Reporting Standards is the responsibility of the Company's management.

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

MANABAT SANAGUSTIN & CO., CPAs

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Partner
CPA License No. 0090279
SEC Accreditation No. 1189-A, Group A, valid until February 15, 2015
Tax Identification No. 164-607-040
BIR Accreditation No. 08-001987-29-2011
Issued November 3, 2011; valid until November 2, 2014
PTR No. 3174111MA
Issued January 2, 2012 at Makati City

October 11, 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	Not applicable
PAS 24 Related Party Disclosures	Adopted
PAS 26 Accounting and Reporting by Retirement Benefit Plans	Not applicable
PAS 27 Consolidated and Separate Financial Statements	Not applicable
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	Not applicable
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

COVER SHEET

C S 2 0 1 0 1 6 3 3 6
SEC Registration Number

G A N T G R O U P O F C O M P A N I E S I N C O R P O R A T E D

(Company's Full Name)

7 0 4 R i z a l A v e n u e E x t e n s i o n , C a l o o c a n C i t y

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

Leonardo B. Dayao
(Contact Person)

(02) 524-4451
(Company Telephone Number)

0 7 | 3 1
Month *Day*
(Fiscal Year)

A A F S
(Form Type)

1 0 | 2 6
Month *Day*
(Annual Meeting)

–
(Secondary License Type, If Applicable)

–
Dept. Requiring this Doc.

–
Amended Articles Number/Section

Total Amount of Borrowings

6
Total No. of Stockholders

₱–
Domestic

₱–
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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GANT GROUP OF COMPANIES, INC.

#704 Rizal Avenue Extension, Gracepark, Kalookan City
Tel No.: (02)990-0992 / 367-1539

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Gant Group of Companies, Inc.** is responsible for the preparation and fair presentation of the financial statements for the period ended July 31, 2012 and for the year ended June 30, 2012, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

LEONARDO B. DAYAO
Chairman of the Board

IRAIDA B. DE GUZMAN
President

DENISE MARIA D. CAROLINO
Corporate Financial Officer

Signed this 11th day of October 2012

SUBSCRIBED AND SWORN to before me, this OCT 1 5 2012 day of __________ 2012 at MANILA; affiants exhibited to me their Tax Identification Numbers Leonardo B. Dayao 135-546-815, Iraida B. De Guzman 156-419-202 and Denise Maria D. Carolino 136-576-655.

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Book No. 61
Series of 2012

ATTY. RONALD SEGUNDINO C. CHUA
NOTARY PUBLIC - CITY OF MANILA
ADMIN. ... - UNTIL DEC. 31, 2012
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NO. 945 ... ST. BINONDO MANILA
IBP ... -28- 2011 MANILA
PTR NO. ... 12-19-2011 MANILA
MCLE COMPLIANCE NO. III-0016300

SGV & Co
Ernst & Young

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Gant Group of Companies Incorporated
704 Rizal Avenue Extension
Caloocan City

Report on the Financial Statements

We have audited the accompanying financial statements of Gant Group of Companies Incorporated, which comprise the balance sheets as at July 31, 2012 and June 30, 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the month ended July 31, 2012 and the year ended June 30, 2012 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 the 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gant Group of Companies Incorporated as at July 31, 2012 and June 30, 2012, and its financial performance and its cash flows for the periods then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174823, January 2, 2012, Makati City

October 11, 2012

GANT GROUP OF COMPANIES INCORPORATED

BALANCE SHEETS
JULY 31, 2012 AND JUNE 30, 2012

	July 31	June 30
ASSETS		
Current Assets		
Cash in bank (Notes 10 and 11)	**₱107,648**	₱107,648
Receivables (Notes 10 and 11)	**852,520**	852,520
Due from related parties (Notes 8, 10, 11 and 12)	**19,466,518**	19,440,000
Input tax	**60,628**	60,628
Total Current Assets	**20,487,314**	20,460,796
Noncurrent Assets		
Investments in subsidiaries (Notes 4, 6 and 12)	**59,611,350**	59,611,350
Property and equipment (Notes 5 and 12)	**–**	26,518
Total Noncurrent Assets	**59,611,350**	59,637,868
	₱80,098,664	₱80,098,664
LIABILITIES AND EQUITY		
Current Liabilities		
Payables (Notes 10 and 11)	**₱4,268,014**	₱4,268,014
Subscription payable (Notes 4 and 10)	**939,000**	939,000
Total Current Liabilities	**5,207,014**	5,207,014
Equity		
Capital stock (Note 6)	**51,911,100**	51,911,100
Additional paid-in capital	**250**	250
Retained earnings	**22,980,300**	22,980,300
Total Equity	**74,891,650**	74,891,650
	₱80,098,664	₱80,098,664

See accompanying Notes to Financial Statements.

GANT GROUP OF COMPANIES INCORPORATED

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
DIVIDEND INCOME (Note 4)	₱–	₱24,000,000
INTEREST INCOME	–	7,987
OPERATING EXPENSES (Note 7)	–	(839,317)
INCOME BEFORE INCOME TAX	–	23,168,670
PROVISION FOR INCOME TAX (Note 9)	–	–
NET INCOME	–	23,168,670
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME	₱–	₱23,168,670

See accompanying Notes to Financial Statements.

GANT GROUP OF COMPANIES INCORPORATED

STATEMENTS OF CHANGES IN EQUITY

FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CAPITAL STOCK - ₱100 par value (Note 6)		
Authorized - 1,500,000 shares		
Issued and outstanding	**₱51,911,100**	₱51,911,100
ADDITIONAL PAID-IN CAPITAL	**250**	250
RETAINED EARNINGS		
Balance at beginning of period	**22,980,300**	(188,370)
Total comprehensive income	–	23,168,670
Balance at end of period	**22,980,300**	22,980,300
	₱74,891,650	₱74,891,650

See accompanying Notes to Financial Statements.

GANT GROUP OF COMPANIES INCORPORATED

STATEMENTS OF CASH FLOWS
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱–	₱23,168,670
Adjustments for:		
Depreciation expense	–	–
Dividend income (Note 4)	–	(24,000,000)
Interest income	–	(7,987)
Operating loss before working capital changes	–	(839,317)
Decrease (increase) in:		
Receivables	–	332,406
Input tax	–	(45,760)
Increase in payables	–	168,254
Net cash used in operations	–	(384,417)
Interest received	–	7,987
Net cash used in operating activities	–	(376,430)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	–	24,000,000
Payment of subscription payable (Note 12)	–	(350,230)
Additions to property and equipment (Notes 5 and 12)	–	(26,518)
Net cash provided by investing activities	–	23,623,252
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due from related parties (Note 12)	–	(23,489,020)
Decrease in due to related parties	–	(3,310,750)
Net cash used in financing activities	–	(26,799,770)
NET DECREASE IN CASH IN BANK	–	(3,552,948)
CASH IN BANK AT BEGINNING OF PERIOD	**107,648**	3,660,596
CASH IN BANK AT END OF PERIOD	**₱107,648**	₱107,648

See accompanying Notes to Financial Statements.

GANT GROUP OF COMPANIES INCORPORATED
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Gant Group of Companies Incorporated (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 6, 2010. The registered office address of the Company is 704 Rizal Avenue Extension, Caloocan City. The Company is engaged in acquiring investments and securities. The Company is owned by individuals.

On June 6, 2011, the individual shareholders of the Company transferred, through a Deed of Assignment of Shares of Stocks, their investments in Gant Diamond Corporation, Gant Diamond III Corporation, Super Retail VIII Corporation and Superagora X Corporation, in exchange for shares of stock of the Company (see Note 4). By virtue of the Deed of Assignment, the individual shareholders transferred the rights, title and interest in the said shares to the Company effective June 6, 2011.

On May 30, 2012, Puregold Price Club, Inc. (PPCI) acquired 100% equity interest in the Company from the above individual shareholders. Effective on that date, the Company became a wholly owned subsidiary of PPCI. PPCI, the parent company, is engaged in the business of trading goods, such as consumer products, on a wholesale and retail business.

On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity (see Note 13).

The financial statements as at July 31, 2012 were approved and authorized for issuance by the Board of Directors (BOD) on October 11, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine peso. All values are rounded to the nearest peso, except when otherwise indicated. The Company's financial statements are prepared in connection with PPCI application for merger of all its wholly-owned subsidiaries.

In relation to the merger as disclosed in Note 1, the amounts presented in the July 31, 2012 statement of comprehensive income, statement of changes in equity, statement of cash flows and the related notes to the Company's financial statements are for one month ended and, accordingly, are not comparable with that of previous period.

Statement of Compliance
The financial statements are prepared in compliance with PFRS. PFRS include statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Financial Reporting Standards Council.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations based on equivalent interpretations which were adopted as of July 1, 2011.

- PAS 24, *Related Party Disclosures (Amendment)*

  The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues.*

  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- Amendment to PFRS 7, *Disclosures - Transfers of Financial Assets*

  The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments to PFRS 7 are affective for annual periods beginning on or after July 1, 2011.

- Philippine Interpretation 14, *Prepayments of a Minimum Funding Requirement (Amendment)*

  The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

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

  This interpretation is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

Improvements to PFRSs. In May 2010, the International Accounting Standards Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

- PFRS 3, *Business Combinations*

  The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- PFRS 7, *Financial Instruments: Disclosures*

  The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, *Presentation of Financial Statements*

  The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*

  The improvement clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investment in Associates*, and PAS 31, *Interest in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier. This interpretation is applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

  The amendment clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes.

<u>Cash in Bank</u>
Cash in bank earns interest at the respective bank deposit rates.

<u>Financial Instruments – Initial Recognition and Subsequent Measurement</u>

Date of Recognition. The Company recognizes a financial asset or financial liability in the balance sheet 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 trade date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are measured at fair value through profit or loss (FVPL).

Determination of Fair Value. The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking 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.

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

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

Classification of Financial Instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are categorized as financial liabilities at FVPL and other financial liabilities. The Company determines the classification at initial recognition and re-evaluates this designation at every financial reporting date, where allowed and appropriate.

As at July 31, 2012 and June 30, 2012, the Company has no financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in the interest income in the statement of comprehensive income. Losses arising from impairment are recognized as provision for doubtful accounts in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

As at July 31, 2012 and June 30, 2012, this category includes cash in bank, receivables and due from related parties (see Note 10).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at July 31, 2012 and June 30, 2012, this category includes payables and subscription payable (see Note 10).

Classification of Financial Instruments between Debt and Equity
A financial instrument is classified as debt if it provided for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own shares.

If the Company does not have the unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Impairment of Financial Assets
The Company assesses at each financial reporting date whether a financial asset or a group of financial assets is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the 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 that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Cash flows from receivables and due from related parties are not discounted if the effect of discounting is immaterial. The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of loss experience for assets with credit risk characteristics similar to those in the Company. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, payment status, or other factors that are indicative of incurred losses in the Company). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Derecognition of Financial Instruments

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 right to receive cash flows from the asset has expired;
- the Company 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 Company has transferred its right 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 Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company'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 Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 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 the statement of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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 financial assets and liabilities are presented at gross amounts in the balance sheet.

Investments in Subsidiaries
The investments in subsidiaries of the Company are accounted for under the cost method of accounting in the financial statements. A subsidiary is an enterprise that is controlled by the Company. The investments in subsidiaries are carried in the balance sheet at cost less any impairment in value. The Company recognizes income from the investments only to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investments.

The following are the subsidiaries of the Company as at July 31, 2012 and June 30, 2012:

Subsidiaries	Percentage of Ownership	Nature of Business
Gant Diamond III Corporation (GDIII) (see Note 1)	100	Retail distribution
Gant Diamond Corporation (GDC) (see Note 1)	100	Retail distribution
Super Retail VIII Corporation (SRVIII) (see Note 1)	100	Retail distribution
Superagora X Corporation (SAX) (see Note 1)	100	Retail distribution
Super Retail XV Corporation (SRXV)	100	Retail distribution
S-CV Corporation (SCV)	100	Retail distribution
Lynxserv Corp. (LC)	100	Storage and cross-docking

All of the Company's subsidiaries were incorporated in the Philippines.

Impairment of Investments in Subsidiaries
The Company assesses at each balance sheet date whether there is an indication that the investments in subsidiaries may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment loss, if any, is recognized in the statement of comprehensive income.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses, if any, may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. Such cost includes the cost of

replacing part of such property and equipment when that cost is incurred and if the recognition criteria are met.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation and amortization for the office equipment is computed using the straight-line method over the estimated useful life of five years.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

Additional paid-in capital. Additional paid-in capital represents the excess of the net proceeds over the stated par value of shares.

Retained earnings. Retained earnings represents the cumulative balance of net income (losses) of the Company.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Dividend Income. Revenue is recognized when the shareholders' right to receive the payment is established.

Interest Income. Revenue is recognized as it accrues, taking into account the effective yield on the asset.

Expenses
Expenses are recognized in the statement of comprehensive income in the year these are incurred.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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 passage of time is recognized as an interest expense.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting 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

- in respect of 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 and carryforward benefits of net operating loss carryover (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 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

- in respect of 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 balance sheet 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 balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset 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 VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT 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 VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included under "Input tax" or "Payables" accounts, respectively, in the balance sheet.

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

Events After the Balance Sheet Date
Post year-end events that provide additional information about the Company's financial position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to July 31, 2012
The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these revised standards, interpretations and amendments to PFRS to have significant impact on the Company's financial statements.

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

  The clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period: (a) the gross amounts of those recognized financial assets and recognized financial liabilities; (b) the amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position; (c) the net amounts presented in the statement of financial position; (d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including: (i) amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and (ii) amounts related to financial collateral (including cash collateral); and (e) the net amount after deducting the amounts in (d) from the amounts in (c) above

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities.* PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers.* PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

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

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*

  PFRS 12 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Financial Statement Presentation – Presentations of Items of Other Comprehensive Income*

  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Amendment)*

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

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

  As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (Revised)*

  As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment to PAS 28 becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities*

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

3. Significant Accounting Estimates and Assumptions

The Company's financial statements prepared in conformity with PFRS require management to make estimates and assumptions that affect amounts reported in the company financial statements and related notes. The estimates and assumptions used in the company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the company financial statements. Actual results differ from such estimates.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each balance sheet 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 assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on forecasted taxable profit of the subsequent reporting period. This forecast is based on past results and future expectations on revenues and expenses. However, there is no assurance that the Company will generate sufficient taxable profit to allow all part of its deferred tax assets to be utilized in the future.

The Company has unrecognized deferred tax assets on NOLCO amounting to ₱308,612 as at July 31, 2012 and June 30, 2012 (see Note 9).

Estimating Useful Lives of Property and Equipment. The useful life of each item of the Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. The estimation of the useful life of property and equipment is also based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at least periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limitations on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in these factors and circumstances 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 life of any property and equipment would increase the recorded depreciation and amortization expense and decrease the carrying amount of property and equipment.

The carrying value of property and equipment amounted to nil and ₱26,518 as at July 31, 2012 and June 30, 2012, respectively (see Note 5).

Impairment of Property and Equipment. An impairment review is performed when certain indicators are present. Determining the value of property and equipment, which requires 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 such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operations of the Company.

While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment indicators were identified during the month ended July 31, 2012 and the year ended June 30, 2012 and as such, no impairment loss was recognized. The net book value of the Company's property and equipment amounted to nil and ₱26,518 as at July 31, 2012 and June 30, 2012, respectively (see Note 5).

Impairment of Investments in Subsidiaries. Impairment review is performed when certain impairment indicators are present. Determining the fair value 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 company financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Impairment review of investments in subsidiaries is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments and to choose a suitable discount rate in order to calculate the present value of those cash flows.

There was no impairment losses recognized for the Company's investments in subsidiaries for the month ended July 31, 2012 and the year ended June 30, 2012.

As at July 31, 2012 and June 30, 2012, the carrying value of investments in subsidiaries amounted ₱59,611,100 (see Note 4).

4. Investments in Subsidiaries

The Company carries its investments in shares of stocks of the following subsidiaries:

Subsidiaries	Percentage of Ownership	Cost
GDIII (see Note 1)	100	₱18,708,653
SCV	100	10,000,000
GDC (see Note 1)	100	8,134,233
SRVIII (see Note 1)	100	8,134,232
SAX (see Note 1)	100	8,134,232
SRXV	100	5,000,000
LC	100	1,500,000
		₱59,611,350

In relation to the above investments, the Company still has unpaid subscription as at July 31, 2012 and June 30, 2012 amounting to ₱939,000 which is presented separately as "Subscription payable" in the balance sheet.

On June 29, 2012, the Company executed a deed of assignment with Gantcore Investments, Inc. (Gantcore) for the assignment of its shares in Integrated Access Management Networks Corp. (IAMNC) amounting to ₱299,500. Gantcore is owned by the previous shareholders of the Company.

The Company received dividend income from its subsidiaries for the year ended June 30, 2012, as follows:

Subsidiaries	Amount
GDC	₱10,000,000
GDIII	8,000,000
SRVIII	6,000,000
	₱24,000,000

5. Property and Equipment

As at June 30, 2012, this account consists of office equipment purchased on June 2012 amounting to ₱26,518. No depreciation expense has been recognized as at June 30, 2012. The property and equipment was sold at cost on account to GDC in July 2012.

6. Equity

Details of the Company's authorized and subscribed capital stock as at July 31, 2012 and June 30, 2012 are as follows:

	Number of Shares	Amount
Authorized - Common shares (₱100 par value)	**1,500,000**	**₱150,000,000**
Subscribed and paid - Common shares	**519,111**	**₱51,911,100**

7. Operating Expense

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Taxes and licenses	₱–	₱449,012
Professional fees	–	383,095
Repairs and maintenance	–	7,210
	₱–	₱839,317

8. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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 common significant influence.

- In the normal course of business, the Company obtains from and grants cash advances to other related parties which are noninterest-bearing and are regularly settled within one year. Total advances to related parties, which is presented as "Due from related parties" account in the balance sheets, amounted to ₱19,440,000 as at July 31, 2012 and June 30, 2012.

  As at July 31, 2012 and June 30, 2012, outstanding balances arising from these transactions are as follow:

SCV	₱11,690,000
SRXV	7,150,000
SAX	600,000
	₱19,440,000

  SCV, SRXV, SAX, GDIII, and SRVIII are subsidiaries of the Company.

Terms and Conditions of Transactions with Related Parties
Outstanding balances of transactions with related parties at year-end are unsecured, noninterest-bearing, settlement occurs in cash and receivable/payable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the month ended July 31, 2012 and the year ended June 30, 2012, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company
Effective May 30, 2012, the key management personnel of the Company and PPCI are the same. The compensation of key management personnel is shouldered by PPCI for the month ended July 31, 2012. The administrative function of the Company is handled by GDC for the year ended June 30, 2012.

9. Income Tax

No provision for current income tax has been recognized for the month ended July 31, 2012 and the year ended June 30, 2012 since the Company is in a tax loss position.

The Company did not recognize any deferred tax asset on NOLCO amounting to ₱308,612 as at July 31, 2012 and June 30, 2012. Management believes that it is not yet probable that there will be future taxable profits prior to the expiration of the carryforward benefits of the NOLCO.

The Company's NOLCO amounting to ₱251,795, which was incurred in 2012, can be deducted against regular taxable income until June 30, 2015. The NOLCO incurred in 2011 amounting to ₱56,817 can be applied until June 30, 2014.

The reconciliation between provision for income tax computed at the statutory income tax rate and provision for income tax as shown in the statements of comprehensive income is as follows:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Provision for income tax at statutory income tax rate	₱–	₱6,950,601
Income tax effects of:		
Change in unrecognized deferred tax asset	–	251,795
Dividend income already subjected to final tax	–	(7,200,000)
Interest income already subjected to final tax	–	(2,396)
	₱–	₱–

10. **Financial Assets and Liabilities**

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as at July 31, 2012 and June 30, 2012:

	July 31		June 30	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash in bank	**₱107,648**	**₱107,648**	₱107,648	₱107,648
Receivables	**852,520**	**852,520**	852,770	852,770
Due from related parties	**19,466,518**	**19,466,518**	19,440,000	19,440,000
	₱20,426,686	**₱20,426,686**	₱20,400,418	₱20,400,418
Financial Liabilities				
Other financial liabilities:				
Payables	**₱4,268,014**	**₱4,268,014**	₱4,268,014	₱4,268,014
Subscription payable	**939,000**	**939,000**	939,000	939,000
	₱5,207,014	**₱5,207,014**	₱5,207,014	₱5,207,014

The carrying values of cash in bank, receivables, due from related parties, payables and subscription payable approximate their fair values due to the short-term nature of the transactions.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company has no financial asset and liability carried at fair values as at July 31, 2012 and June 30, 2012.

11. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in bank and due from related parties. The Company has other financial assets and liabilities such as receivables and payables, which arise directly from operations. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain adequate funding or is the risk that the Company will encounter difficulty in meeting obligations associated with financial difficulties.

The Company's objective is to maintain balance between continuity of funding and flexibility through the use of short-term obligations.

Liquidity risk rests on the balances of payables and subscription payable which amounted to ₱5,207,014 as at July 31, 2012 and June 30, 2012 which are all due within one year from the balance sheet date. Payables substantially represents advances due from previous shareholders of the Company (see Note 1).

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

With respect to credit risk from cash in bank, receivables and due from related parties, the exposure of the Company to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, less insurance for the cash in bank.

There is no significant concentration of credit risk in the Company.

Credit Quality per Class of Financial Asset. As at July 31, 2012 and June 30, 2012, cash in bank is considered as high grade as this pertains to deposit made to top 10 banks in the Philippines. Receivables and due from related parties are considered as high grade as it pertains to receivable from entities with positive financial performance. These financial assets are neither past due nor impaired.

Capital Risk Management

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

The Company's President has overall responsibility for monitoring capital in proportion to risk and makes adjustments to it in light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company is not subject to externally imposed capital requirements.

The Company's objectives, policies or processes as at July 31, 2012 and June 30, 2012 is consistent with the policies of PPCI.

12. Notes to Statement of Cash Flows

For the month ended July 31, 2012, the principal noncash transaction pertains to the sale of the Company's property and equipment to an affiliate.

For the year ended June 30, 2012, the principal noncash transactions pertain to the following:

Conversion of advances to related parties to additional investment in subsidiaries	₱3,816,000
Acquisition of additional investment from previous shareholders	1,750
Assignment of investment in IAMNC to previous shareholders, which has been presented as part of receivables	299,500

13. Events After the Balance Sheet Date

On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity. As at October 11, 2012, the Company is still in the process of securing the approval and filing of necessary documents with the SEC.

COVER SHEET

						1	1	6	9	6	5

SEC Registration Number

GANT DIAMOND CORPORATION (A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

(Company's Full Name)

704 Rizal Avenue Extension, Caloocan City

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

Leonardo B. Dayao
(Contact Person)

365-6838
(Company Telephone Number)

0 7	3 1		A A F S		0 9	2 8
Month	*Day*		(Form Type)		*Month*	*Day*
(Fiscal Year)					(Annual Meeting)	

(Secondary License Type, If Applicable)

–	–
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

6	₱–	₱–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Gant Diamond Corporation** is responsible for the preparation and fair presentation of the financial statements for the period ended July 31, 2012 and for the year ended June 30, 2012, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

LEONARDO B. DAYAO
Chairman of the Board

IRAIDA B. DE GUZMAN
President

DENISE MARIA D. CAROLINO
Corporate Financial Officer

Signed this 11th day of October 2012

SUBSCRIBED AND SWORN to before me, this OCT 16 2012 day of ____________ 2012 at MANILA; affiants exhibited to me their Tax Identification Numbers Leonardo B. Dayao 135-546-815, Iraida B. De Guzman 156-419-202 and Denise Maria D. Carolino 136-576-655.

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Book No. 60
Series of 2012 ________

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC - CITY OF MANILA
ADMIN. NO. 2011-009 - UNTIL DEC. 31, 2012
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IBP NO. 864212/12-25-2011 MANILA
PTR NO. MLA. 0314224/12-19-2011 MANILA
MCLE COMPLIANCE NO. III-0016300

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Gant Diamond Corporation
704 Rizal Avenue Extension
Caloocan City

Report on the Financial Statements

We have audited the accompanying financial statements of Gant Diamond Corporation (a wholly owned subsidiary of Gant Group of Companies Incorporated), which comprise the balance sheets as at July 31, 2012 and June 30, 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the month ended July 31, 2012 and the year ended June 30, 2012, 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gant Diamond Corporation as at July 31, 2012 and June 30, 2012 and its financial performance and its cash flows for the periods then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174823, January 2, 2012, Makati City

October 11, 2012

GANT DIAMOND CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

BALANCE SHEETS
JULY 31, 2012 AND JUNE 30, 2012

	July 31	June 30
ASSETS		
Current Assets		
Cash (Notes 4, 17 and 18)	**₱33,002,429**	₱42,268,104
Trade and other receivables (Notes 5, 13, 17 and 18)	**18,609,228**	10,993,697
Merchandise inventory (Note 10)	**51,794,068**	51,251,495
Other current assets (Notes 6 and 13)	**3,574,303**	717,379
Due from related parties (Notes 13, 17 and 18)	**1,400,000**	1,400,000
Total Current Assets	**108,380,028**	106,630,675
Noncurrent Assets		
Property and equipment (Notes 7 and 19)	**19,215,015**	17,220,777
Deferred tax assets (Note 16)	**6,867,823**	6,725,322
Refundable deposits (Notes 13, 14, 17 and 18)	**1,303,253**	2,160,253
Total Noncurrent Assets	**27,386,091**	26,106,352
	₱135,766,119	₱132,737,027
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 8, 13, 14, 17 and 18)	**₱112,299,793**	₱123,040,524
Due to related parties (Notes 13, 17, 18 and 19)	**9,766,386**	6,128,323
Income tax payable	**3,539,948**	385,807
Total Current Liabilities	**125,606,127**	129,554,654
Noncurrent Liability		
Retirement liability (Note 15)	**9,149**	9,149
Equity (Note 9)		
Capital stock - ₱100 par value		
Authorized and issued - 50,000 shares	**5,000,000**	5,000,000
Retained earnings (deficit)	**5,150,843**	(1,826,776)
Total Equity	**10,150,843**	3,173,224
	₱135,766,119	₱132,737,027

See accompanying Notes to Financial Statements.

GANT DIAMOND CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
NET SALES (Note 13)	**₱57,614,670**	₱837,303,357
COST OF SALES (Notes 10 and 13)	**50,348,408**	744,447,575
GROSS PROFIT	**7,266,262**	92,855,782
Operating expenses (Notes 7, 11, 13, 14 and 15)	**(7,020,392)**	(101,768,350)
Interest income (Notes 4 and 14)	**2,948**	193,023
Other income (Notes 12 and 14)	**9,740,441**	3,406,642
INCOME (LOSS) BEFORE INCOME TAX	**9,989,259**	(5,312,903)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)		
Current	**3,154,141**	1,925,249
Deferred	**(142,501)**	(3,532,533)
	3,011,640	(1,607,284)
NET INCOME (LOSS)	**6,977,619**	(3,705,619)
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱6,977,619**	(₱3,705,619)

See accompanying Notes to Financial Statements.

GANT DIAMOND CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CHANGES IN EQUITY
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	Capital Stock	Deposit for Future Stock Subscription	Stock Dividends Distributable	Retained Earnings (Deficit)		Total
				Appropriated	Unappropriated	
Balance at July 1, 2012	₱5,000,000	₱–	₱–	₱–	(₱1,826,776)	₱3,173,224
Total comprehensive income for the period	–	–	–	–	6,977,619	6,977,619
Balance at July 31, 2012	₱5,000,000	₱–	₱–	₱–	₱5,150,843	₱10,150,843
Balance at July 1, 2011	₱5,000,000	₱6,900,000	₱3,000,000	₱6,000,000	₱2,878,843	₱23,778,843
Total comprehensive loss for the period	–	–	–	–	(3,705,619)	(3,705,619)
Cash dividends (Note 9)	–	–	–	–	(10,000,000)	(10,000,000)
Reversal of deposit for future stock subscription (Note 9)	–	(6,900,000)	–	–	–	(6,900,000)
Reversal of stock dividends distributable (Note 9)	–	–	(3,000,000)	–	3,000,000	–
Reversal of appropriated retained earnings (Note 9)	–	–	–	(6,000,000)	6,000,000	–
Balance at June 30, 2012	₱5,000,000	₱–	₱–	₱–	(₱1,826,776)	₱3,173,224

See accompanying Notes to Financial Statements.

GANT DIAMOND CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CASH FLOWS
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱9,989,259**	(₱5,312,903)
Adjustments for:		
Depreciation and amortization (Notes 7 and 11)	**389,423**	6,137,641
Interest income (Notes 4 and 14)	**(2,948)**	(193,023)
Interest expense	–	13
Operating income before working capital changes	**10,375,734**	631,728
Retirement cost (Note 15)	–	1,221,478
Decrease (increase) in:		
Trade and other receivables	**(7,615,531)**	(8,784,736)
Merchandise inventory	**(542,573)**	(2,321,764)
Due from related parties	–	15,090,000
Other current assets	**(2,856,924)**	(1,906,186)
Increase in:		
Trade and other payables	**(10,740,731)**	41,758,909
Due to related parties (Note 19)	**3,611,545**	6,027,700
Net cash generated from (used in) operations	**(7,768,480)**	51,717,129
Interest received	**185**	68,974
Retirement benefits paid (Note 15)	–	(2,853,529)
Income tax paid	–	(64,778)
Net cash provided by (used in) operating activities	**(7,768,295)**	48,867,796
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Notes 7 and 19)	**(2,357,143)**	(4,796,052)
Decrease in refundable deposits	**859,763**	751,586
Net cash used in investing activities	**(1,497,380)**	(4,044,466)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of deposit for future stock subscription (Note 9)	–	(6,900,000)
Payments of:		
Cash dividends (Note 9)	–	(10,000,000)
Notes payable	–	(65,253)
Interest	–	(13)
Cash used in financing activities	–	(16,965,266)
NET INCREASE (DECREASE) IN CASH	**(9,265,675)**	27,858,064
CASH AT BEGINNING OF PERIOD	**42,268,104**	14,410,040
CASH AT END OF PERIOD	**₱33,002,429**	₱42,268,104

See accompanying Notes to Financial Statements.

GANT DIAMOND CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Gant Diamond Corporation (the Company), was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 25, 1983. The Company is engaged in wholesale and retail of general merchandise. Its registered office address is 704 Rizal Avenue Extension, Caloocan City.

On June 6, 2011, the Company's individual shareholders entered into a Deed of Assignment with Gant Group of Companies Incorporated (GGCI), wherein they transferred their rights, title and interests in the Company in exchange for shares of GGCI. Consequently, the Company became a wholly-owned subsidiary of GGCI effective June 6, 2011. The transfer of the Company's shares and the corresponding issuance of GGCI shares to the individual shareholders were approved by the SEC on December 2, 2011. GGCI, the Parent Company, is incorporated in the Philippines and is also owned by the previous individual shareholders of the Company.

On May 30, 2012, Puregold Price Club, Inc. (PPCI) acquired 100% equity interest in GGCI from the above individual shareholders. Effective on that date, GGCI became a wholly owned subsidiary of PPCI. PPCI, the ultimate parent company, is engaged in the business of trading goods, such as consumer products, on a wholesale and retail business.

On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity (see Note 20).

The BOD approved the issuance of the Company's financial statements as at and for the month ended July 31, 2012 on October 11, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine peso. All values are rounded to the nearest peso, except when otherwise indicated. The Company's financial statements are prepared in connection with PPCI application for merger of all its wholly-owned subsidiaries.

In relation to the merger as disclosed in Note 1, the amounts presented in the July 31, 2012 statement of comprehensive income, statement of changes in equity, statement of cash flows and the related notes to the Company's financial statements are for one month ended and, accordingly, are not comparable with that of previous period.

Statement of Compliance

The financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS include statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Financial Reporting Standards Council.

Under the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs), the Company qualified under the definition of an SME. However, the Company elected not to adopt PFRS for SMEs under the exemption provided by the SEC, specifically, being a subsidiary of a parent company reporting under full Philippine Financial Reporting Standards (PFRS). The Company is a subsidiary of PPCI, through GGCI, which prepares consolidated financial statements in compliance with PFRS.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations based on equivalent interpretations which were adopted as of July 1, 2011.

- PAS 24, *Related Party Disclosures (Amendment)*

  The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues.*

  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- PFRS 7, *Disclosures - Transfers of Financial Assets (Amendment)*

  The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments to PFRS 7 are affective for annual periods beginning on or after July 1, 2011.

- Philippine Interpretation 14, *Prepayments of a Minimum Funding Requirement (Amendment)*

  The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

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

  This interpretation is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

Improvements to PFRSs. In May 2010, the International Accounting Standards Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

- PFRS 3, *Business Combinations*

  The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- PFRS 7, *Financial Instruments: Disclosures*

  The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, *Presentation of Financial Statements*

  The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*

  The improvement clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investment in Associates*, and PAS 31, *Interest in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier. This interpretation is applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

  The amendment clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Company recognizes a financial asset or financial liability in its balance sheet 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 trade date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are measured at fair value through profit or loss (FVPL).

Determination of Fair Value. The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking 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.

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

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

Classification of Financial Instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are categorized as financial liabilities at FVPL and other financial liabilities. The Company determines the classification at initial recognition and re-evaluates this designation at every financial reporting date, where allowed and appropriate.

As at July 31, 2012 and June 30, 2012, the Company has no financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest (EIR) method less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in the "Interest income" account in the statement of comprehensive income. Losses arising from impairment are recognized as provision for doubtful accounts in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

As at July 31, 2012 and June 30, 2012, this category includes cash, trade and other receivables, due from related parties and refundable deposits (see Note 17).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at July 31, 2012 and June 30, 2012, this category includes trade and other payables and due to related parties (see Note 17).

Impairment of Financial Assets

The Company assesses at each financial reporting date whether a financial asset or a group of financial assets is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the 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 that have not been incurred) discounted at the financial asset's original EIR (i.e., the effective interest rate computed at initial recognition). Cash flows from trade and other receivables and refundable deposits are not discounted if the effect of discounting is immaterial. The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past due status and term.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of loss experience for assets with credit risk characteristics similar to those in the Company. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provided for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own shares.

If the Company does not have the unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Derecognition of Financial Instruments

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 right to receive cash flows from the asset has expired;
- the Company 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 Company has transferred its right 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 Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company'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 Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has 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 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 the statement of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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 financial assets and liabilities are presented at gross amounts in the balance sheet.

Merchandise Inventory
Merchandise inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first out method. Net realizable value is the selling price in the ordinary course of business less cost to sell.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and if the recognition criteria are met.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further depreciation and amortization is charged to current operations.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Furniture, fixtures and equipment	5 years
Leasehold improvements	20 years or terms of the lease agreement, whichever is shorter
Transportation equipment	5 years

Equity

Capital Stock. Capital stock is measured at par value for all shares issued

Retained Earnings. Retained earnings represent the Company's accumulated earnings net of dividends declared.

Revenue
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue shown as "Net sales" in the statement of comprehensive income is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Net sales are measured at the fair value of the consideration received, net of discounts, returns and value-added taxes.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Revenue is recognized when earned.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the statement of comprehensive income in the period these are incurred.

Retirement Cost
The Company has an unfunded, defined benefit retirement plan covering substantially all of its regular employees, which follows the minimum requirements set forth by Republic Act (R.A.) No. 7641. The cost of providing benefits under this defined benefit plan is actuarially determined using the projected unit credit valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The amount recognized as defined benefit liability is the aggregate of the present value of the defined benefit obligation at the reporting date, and any actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the

reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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 passage of time is recognized as an interest expense.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;

b. A renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfilment is dependent on a specified asset; or

d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Lease. Lease payments under an operating lease are recognized as income or expense in the statement of comprehensive income on a straight-line basis over the term of the lease. For income tax purposes, expenses under operating lease arrangements are treated as deductible expenses in accordance with the terms of the lease agreements.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused 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 carryforward benefits of MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset 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 value added tax, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT 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 VAT included.

The net amount of VAT recoverable from or payable to the tax authority is included under "Other current assets" or "Trade and other payables" accounts, respectively, in the balance sheet.

Contingencies

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

Events After the Reporting Date

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

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to July 31, 2012

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

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

  The clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period: (a) the gross amounts of those recognized financial assets and recognized financial liabilities; (b) the amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position; (c) the net amounts presented in the statement of financial position; (d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including: (i) amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and (ii) amounts related to financial collateral (including cash collateral); and (e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities.* PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers.* PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013

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

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*

  PFRS 12 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Financial Statement Presentation – Presentations of Items of Other Comprehensive Income*

  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Amendment)*

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

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

  As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (Revised)*

  As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment to PAS 28 becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities*

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

3. Management's Use of Judgment, Estimates and Assumptions

In preparing the financial statements, management has made its best judgment, estimates and assumptions of certain amounts, giving due consideration to materiality. The Company believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on financial statements.

Judgment

In the process of applying the accounting policies, management has made a judgment, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

Evaluating Lease Commitments. The Company has entered into various lease agreements as a lessee and a lessor.

a. Company as a Lessee

   The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership on the lease of various building spaces. The Company accounts for the contracts as operating leases because the lease agreements do not transfer to the Company the ownership over the assets at the end of the lease term and do not provide the Company with a bargain purchase option over the leased assets.

   Rent expenses amounted to ₱1,813,786 and ₱21,089,148 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11).

b. Company as a Lessor

The Company has entered into subleases for certain area in its trading facilities. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties. The Company accounts for the contracts as operating leases because the lease agreements do not transfer ownership of the assets to the lessee at the end of the lease term and do not give the lessee a bargain purchase option over the leased the assets.

Rent income amounted to ₱71,289 and ₱1,278,506 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining Fair Value of Financial Assets and Liabilities. Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the Company's balance sheet, which requires the use of accounting judgment and estimates. Significant components of fair value measurement are determined using verifiable objective evidence (i.e., interest rates, volatility rates), and timing and amount of changes in fair value would differ with the valuation methodology used. Any changes in fair value of these financial assets and liabilities would affect the disclosures made by management (see Note 17).

Estimating Allowance for Doubtful Accounts. The Company reviews its receivables at each financial reporting date to assess whether an allowance for doubtful accounts should be recorded in the balance sheet. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in industry risk, as well as identified structural weaknesses or deterioration in cash flows.

The Company has not made any provision for doubtful accounts for the month ended July 31, 2012 and the year ended June 30, 2012. Trade and other receivables amounted to ₱18,609,228 and ₱10,993,697 as at July 31, 2012 and June 30, 2012, respectively (see Note 5).

Net Realizable Value of Merchandise Inventory. The Company provides allowance for inventory losses whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account, if any, is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

The Company assessed that the net realizable value of inventories is higher than cost hence, the Company did not recognize any losses on write-down of inventories. The carrying values of merchandise inventory amounted to ₱51,794,068 and ₱51,251,495 as at July 31, 2012 and June 30, 2012, respectively (see Note 10).

Estimating Useful Lives of Property and Equipment. The useful life of each item of the Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. The estimation of the useful life of property and equipment is also based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at least periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limitations on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in these factors and circumstances 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 life of any property and equipment would increase the recorded depreciation and amortization expense and decrease the carrying amount of property and equipment.

For the month ended July 31, 2012, there was no change in the estimated useful life of the Company's leasehold improvements. For the year ended June 30, 2012, the estimated useful life of the Company's leasehold improvements was changed from five years or term of the lease agreement, whichever is shorter, to 20 years or term of the lease agreement, whichever is shorter, to be consistent with the accounting policies used by PPCI. The effect of the change in estimate was a decrease in annual depreciation expense of ₱493,773 for the year ended June 30, 2012. There were no changes in the estimated useful lives of other components of property and equipment for the month ended July 31, 2012 and the year ended June 30, 2012. The carrying values of property and equipment amounted to ₱19,215,015 and ₱17,220,777 as at July 31, 2012 and June 30, 2012, respectively (see Note 7).

Impairment of Property and Equipment. An impairment review is performed when certain indicators are present. Determining the value of property and equipment, which requires 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 such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operations of the Company.

While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment indicators were identified during the month ended July 31, 2012 and the year ended June 30, 2012, and as such, no impairment losses were recognized. The net book value of the Company's property and equipment amounted to ₱19,215,015 and ₱17,220,777 as at July 31, 2012 and June 30, 2012, respectively (see Note 7).

Estimating Realizability of Deferred Tax Assets. The Company reviews the carrying amounts at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on forecasted taxable profit of the subsequent financial reporting periods. The forecast is based on past results and future expectations on revenues and expenses.

The Company has no unrecognized deferred tax assets as at July 31, 2012 and June 30, 2012. Deferred tax assets recognized in the balance sheets amounted to ₱6,867,823 and ₱6,725,322 as at July 31, 2012 and June 30, 2012, respectively (see Note 16).

Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the Company's actuary in calculating such amounts. Those assumptions were described in Note 15 and included among others, discount rate and future salary rate increase. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's retirement liability.

Retirement liability amounted to ₱9,149 as at July 31, 2012 and June 30, 2012 (see Note 15). Pension expense for the month ended July 31, 2012 is not significant.

4. Cash

This account consists of:

	July 31	June 30
Cash in banks	**₱29,550,868**	₱41,063,104
Cash on hand	**3,451,561**	1,205,000
	₱33,002,429	₱42,268,104

Cash in banks earn interest at the respective bank deposit rates. Interest income from cash in banks amounted to ₱185 and ₱68,974 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

5. Trade and Other Receivables

This account consists of:

	July 31	June 30
Trade	**₱9,993,951**	₱2,905,902
Receivables from suppliers (see Note 13)	**8,183,957**	7,546,455
Due from related parties (see Note 13)	**211,526**	303,516
Nontrade	**219,794**	188,162
Advances to suppliers	–	14,045
Others	–	35,617
	₱18,609,228	₱10,993,697

The terms and conditions of the above receivables are as follows:

a. Trade receivables include credit card sales transactions which are noninterest-bearing and are generally collectible within three to five days following the sale.

For terms and conditions relating to related party receivables, refer to Note 13.

b. Receivables from suppliers pertain to trade discounts given by manufacturers/suppliers to PPCI for undertaking promotional activities including but not limited to provisions of prime space or preferred locations for product display and in-store advertisements, product bundling and product sampling, which are subject to the happening of an event or the fulfillment of certain conditions as agreed between the manufacturers/suppliers and the PPCI. PPCI allocated portions of the trade discount to the Company which will be applied to subsequent suppliers' invoices.

   As at October 11, 2012, about 70% of the outstanding balance of the receivables from suppliers has been applied against suppliers' invoices.

c. Advances to suppliers are noninterest-bearing and are normally settled through invoice deduction. Nontrade and other receivables are noninterest bearing generally on a 30-day credit term.

There were no provisions for doubtful accounts for the month ended July 31, 2012 and the year ended June 30, 2012.

6. Other Current Assets

This account consists of:

	July 31	June 30
Prepaid rent (see Note 14)	**₱1,403,405**	₱596,133
Input tax	**751,473**	24,078
Others	**1,419,425**	97,168
	₱3,574,303	₱717,379

7. Property and Equipment

This account consists of:

	July 31			
	Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost:				
Balance at beginning of period	**₱43,825,918**	**₱9,437,673**	**₱5,405,837**	**₱58,669,428**
Acquisitions	**7,322**	**2,357,143**	**19,196**	**2,383,661**
Balance at end of period	**43,833,240**	**11,794,816**	**5,425,033**	**61,053,089**
Accumulated depreciation and amortization:				
Balance at beginning of period	**34,558,638**	**2,262,116**	**4,627,897**	**41,448,651**
Depreciation and amortization (see Note 11)	**311,115**	**44,080**	**34,228**	**389,423**
Balance at end of period	**34,869,753**	**2,306,196**	**4,662,125**	**41,838,074**
Net book value	**₱8,963,487**	**₱9,488,620**	**₱762,908**	**₱19,215,015**

	June 30			
	Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost:				
Balance at beginning of year	₱42,182,880	₱6,284,659	₱6,605,837	₱55,073,376
Acquisitions	1,643,038	3,153,014	–	4,796,052
Disposal	–	–	(1,200,000)	(1,200,000)
Balance at end of year	43,825,918	9,437,673	5,405,837	58,669,428
Accumulated depreciation and amortization:				
Balance at beginning of year	29,473,993	1,767,809	5,269,208	36,511,010
Depreciation and amortization (see Note 11)	5,084,645	494,307	558,689	6,137,641
Disposal	–	–	(1,200,000)	(1,200,000)
Balance at end of year	34,558,638	2,262,116	4,627,897	41,448,651
Net book value	₱9,267,280	₱7,175,557	₱777,940	₱17,220,777

8. Trade and Other Payables

This account consists of:

	July 31	June 30
Trade	**₱89,221,676**	₱105,485,815
Nontrade	**6,987,718**	7,398,644
Due to related parties (see Note 13)	**177,101**	368,542
Accrued expenses:		
Rent (see Note 14)	**6,814,273**	6,339,271
Others	**8,243,232**	651,014
Withholding taxes payable	–	885,650
Others	**855,793**	1,936,245
	₱112,299,793	₱123,065,181

Terms and conditions of the above liabilities are as follows:

a. Trade payables, accrued expenses and other payables are non-interest bearing and are generally on a 30-day payment term.

   For terms and conditions relating to related party payables, refer to Note 13.

b. Nontrade payables consist of liabilities for unpaid repairs and maintenance, manpower services and professional fees, are normally settled within one month after they are incurred.

9. Equity

In 2007, the BOD approved the increase in authorized capital stock from ₱5,000,000, divided into 50,000 shares, with par value of ₱100 per share, to ₱25,000,000, divided into 250,000 shares with the same par value. On the basis of the increase, the Company declared stock dividends amounting to ₱3,000,000 to stockholders of record as at June 15, 2007. Moreover, the stockholders paid ₱2,000,000 for additional stock subscription. In 2010, the stockholders paid additional stock subscription amounting to ₱4,900,000. On October 7, 2011, the Company's BOD approved the withdrawal of the Company's application in SEC for the increase in capital stock previously discussed. Consequently, the Company returned the deposit for subscription of ₱6,900,000 to the previous individual shareholders of GGCI in February and March 2012 (see Note 1). On that same day, the Company's BOD also approved the cancellation of the stocks dividends declared amounting to ₱3,000,000.

On May 18, 2010, the Company's BOD approved the appropriation of its retained earnings amounting to ₱6,000,000 for the establishment of a new branch that will be opened in Quezon City by end of 2010.

On December 12, 2011, the BOD approved the reversal of the appropriated retained earnings amounting to ₱6,000,000. On the same date, the Company declared cash dividends of ₱10,000,000 which were subsequently paid in May 2012.

10. Cost of Sales

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Merchandise inventory at beginning of period	**₱51,251,495**	₱48,929,731
Purchases during the period - net of purchase returns, allowances and discounts (see Note 13)	**50,890,981**	746,769,339
Cost of goods available for sale	**102,142,476**	795,699,070
Merchandise inventory at end of period	**(51,794,068)**	(51,251,495)
	₱50,348,408	₱744,447,575

11. Operating Expenses

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Manpower services	**₱2,127,227**	₱29,139,990
Rent (see Note 14)	**1,813,786**	21,089,148
Utilities (see Note 14)	**1,549,096**	17,321,485
Taxes and licenses	**473,231**	5,456,242
Depreciation and amortization (see Note 7)	**389,423**	6,137,641
Salaries and benefits (see Notes 13 and 15)	**334,456**	9,129,494
Supplies	**132,122**	5,509,308
Insurance	**68,499**	120,471
Repairs and maintenance	**₱–**	₱3,958,100
Transportation	–	477,655
Representation and entertainment	–	271,789
Professional fees	–	624,545
Advertising	–	42,202
Others (see Note 13)	**132,552**	2,490,280
	₱7,020,392	₱101,768,350

12. Other Income

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Rent (see Note 14)	**₱71,289**	₱1,278,506
Display allowances	**54,254**	886,003
Marketing support	**–**	268,155
Others	**9,614,898**	973,978
	₱9,740,441	₱3,406,642

Display allowances pertain to income earned by the Company for displaying the products of certain suppliers in the prime areas of the trading facilities.

For the month ended July 31, 2012, the Company wrote-off certain long outstanding payables amounting to ₱9,603,395 recognized as other income included under "Others".

13. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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 common significant influence.

Significant transactions with related parties include the following:

a. The Company, in the normal conduct of the business, purchases and sells merchandise inventories from and to its related parties. Outstanding balances from these transactions are recorded as part of "Trade and other receivables" and "Trade and other payables" accounts in the balance sheets. The following table summarizes these transactions with related parties as at July 31, 2012 and June 30, 2012 and for the month ended July 31, 2012 and year ended June 30, 2012:

Related Parties	Period	Sales	Purchases	Amounts Owed by Related Party	Amounts Owed to Related Party
S-CV Corporation (SCV)	**July 31**	**₱–**	**₱–**	**₱211,526**	**₱–**
	June 30	1,435,970	–	303,516	
Gant Diamond III Corporation (GDIII)	**July 31**	**–**	**–**	**–**	**–**
	June 30	415,180	9,827	–	–
Super Retail VIII Corporation (SRVIII)	**July 31**	**–**	**–**	**–**	**–**
	June 30	336,053	326,086	–	26,664
Superagora X Corporation (SAX)	**July 31**	**–**	**–**	**–**	**72,723**
	June 30	151,584	395,969	–	131,696
Super Retail XV Corporation (SRXV)	**July 31**	**–**	**–**	**–**	**104,378**
	June 30	128,305	396,838	–	210,182
	July 31	**₱–**	**₱–**	**₱211,526**	**₱177,101**
	June 30	2,467,092	1,128,720	303,516	368,542

b. In the normal course of business, the Company obtains from and grants cash advances to other related parties which are noninterest-bearing and are normally settled within one year. Total advances to related parties, which is presented under "Due from related parties" account in the balance sheets, amounted to ₱1,400,000 as at July 31, 2012 and June 30, 2012. Total advances from PPCI and other related parties, which is presented under "Due to related parties" account in the balance sheets, amounted to ₱9,766,386 and ₱6,128,323 as at July 31, 2012 and June 30, 2012, respectively.

c. PPCI allocated certain amount of trade discounts to the Company amounting to ₱637,502 and ₱7,546,455 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively. These trade discounts were given by manufactures/suppliers to PPCI for fulfilling certain conditions and/or the happening of certain events as agreed between the manufacturers/suppliers and the PPCI (see Note 5).

d. In June 2011, the Company entered into a service agreement for one year and one month with Lynxserv Corporation (LC) wherein the latter will provide transportation and other related services for the delivery of goods of the Company to and from its branches. The Company paid LC a refundable deposit amounting to ₱75,000 as security for its observance and faithful compliance with the terms and conditions of the agreement. For the month ended July 31, 2012, there is no service fees incurred. Total service fee, which is presented as part of the "Others" under "Operating expenses" account in the statements of comprehensive income, amounted to ₱825,000 for the year ended June 30, 2012 (see Note 11).

The Company, GDIII, SRVIII, SAX, SRXV, SCV and LC are subsidiaries of GGCI.

Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances of transactions with related parties at period-end are unsecured, noninterest-bearing, settlement occurs in cash and receivable/payable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the month ended July 31, 2012 and the year ended June 30, 2012, the Company has not recognized any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company

Effective May 30, 2012, the key management personnel of the Company and PPCI are the same. The compensation of key management personnel is shouldered by PPCI. For the year ended June 30, 2012, the compensation of key management personnel amounted to ₱2,810,371 (see Note 11).

14. Lease Commitments

The Company as a Lessee

In 2006, the Company entered into a contract of lease for a period of seven years until December 2012 for the area where the trading facilities of its branch in Quezon City is located. The annual rental which amounted to ₱5,348,400 is subject to escalation rate of 5% beginning on the third year and every year thereafter. In 2008, the contract of lease was amended modifying the start of the escalation clause. Instead of starting the escalation on the third year, it will begin on the fourth year of the lease term. In 2010, the contract of lease was again modified to retain prior year rental payments for the current year and to resume the escalation on the sixth year.

On June 1, 2011, upon mutual agreement of the parties, the existing contract of lease was terminated and the Company entered into a new contract with the same lessor. The lease is for a period of 15 years beginning June 1, 2011 and will expire on May 31, 2026, unless terminated upon mutual agreement. The annual rental is subject to escalation of 5% beginning on the sixth year and every year thereafter.

Accrued rent, included under "Trade and other payables" account in the balance sheets, representing the difference in accounting for rent expense under the straight-line computation and actual payment per contract for the above lease agreement amounted to ₱1,331,107 and ₱933,933 as at July 31, 2012 and June 30, 2012, respectively (see Note 8).

Rent expense charged to operations from the above lease agreement amounted to ₱545,813 and ₱6,981,753 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11).

As at July 31, 2012 and June 30, 2012, the future minimum lease payments related to the foregoing lease contract are as follow:

	July 31	June 30
Within one year	**₱5,615,820**	₱5,615,820
After one year but not more than five years	**22,510,079**	22,486,679
More than five years	**64,036,592**	64,527,976
	₱92,162,491	₱92,630,475

The Company has entered into various lease agreements with KC Realty and Development Corporation (KC). Details are as follows:

- In July 2011, the Company has entered into a contract of lease for the building where the trading facilities of its branch in Caloocan is located. The lease term is for a period of one year until June 2012 and the annual rent amounted to ₱7,200,000.

  The lease contract was amended in February 2012 to extend the term of the lease up to June 2015 and to decrease the annual rental to ₱6,000,000 with no escalation rate. Rental deposits paid, presented as part of "Refundable deposits" account in the balance sheet, amounted to ₱1,200,000 as at July 31, 2012 and June 30, 2012.

  The lease contract was further amended in July 2012 to extend the term of the lease up to June 30, 2037 and to increase the annual rental to ₱7,200,000 subject to annual escalation of 3% starting on July 1, 2012 and every year thereafter.

- In October 2010, the Company has entered into a contract for a period of two years and nine months until June 2013 for the building where the trading facilities of its branch in Del Monte is located. The annual rent of ₱2,851,200 is subject to an escalation rate of 5% starting on the second year and every year thereafter.

  The lease contract was amended in February 2012 to extend the term of the lease up to July 2025 and to increase the annual rental to ₱3,756,932 subject to annual escalation of 10% commencing on February 2013. Rental deposits paid, presented as part of "Refundable deposits" account in the balance sheet, amounted to ₱712,800 as at July 31, 2012 and June 30, 2012.

- The Company has also entered into a contract of lease for the lease of office space for a period of one year starting June 2011, with an option to renew. The fixed monthly rent amounted to ₱30,000.

The Company paid refundable deposits as security for its observance and faithful compliance with the terms and conditions of the agreement. The deposits were discounted to its present value using a pre-tax risk-free interest rate based on Philippine Government Zero Coupon Yield. The deposits were discounted using the effective interest rate of 5% as at June 30, 2012. The deposit is carried at amortized cost using the EIR method. The excess of the principal amount of the deposit over its fair value is accounted for as prepaid rent, presented as part of "Other current assets" account in the balance sheets, and is amortized over the lease term on a straight-line basis (see Note 6). Interest on the deposit, meanwhile, is accounted for using the EIR method such that as the deposit and prepaid rent are accreted and amortized using the EIR method and the straight-line method, respectively, there is a profit or loss effect during the period. Accretion of deposit, which was included as part of "Interest income" account in the statements of comprehensive income, amounted to ₱2,763 and ₱124,049 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

Accrued rent, included under "Trade and other payables" account in the balance sheets, representing the difference in accounting for rent expense under the straight-line computation and actual payment per contract for all lease agreements with KC amounted to ₱5,483,166 and ₱5,405,338 as at July 31, 2012 and June 30, 2012, respectively (see Note 8).

Rent expense charged to operations related to foregoing contracts of lease amounted to ₱1,267,973 and ₱14,107,395 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11).

As at July 31, 2012 and June 30, 2012, the minimum future annual rental commitments related to foregoing contracts of lease are as follows:

	July 31	June 30
Within one year	**₱11,144,779**	₱9,944,779
After one year but not more than five years	**55,431,032**	37,759,941
More than five years	**260,649,759**	50,404,473
	₱327,225,570	₱98,109,193

Related to the leased office space, utilities expense charged by the lessor to the Company amounted to ₱503,113 and ₱1,446,686 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11).

GGCI and KC are under common shareholders until May 30, 2012.

The Company as a Lessor

The Company subleases certain spaces of its trading facilities to various third parties, renewable annually. Rent income included in "Other income" account in the statements of comprehensive income amounted to ₱71,289 and ₱1,278,506 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

15. Retirement Liability

The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on employees' salaries and length of service and are actuarially computed using the projected unit credit method.

The following tables summarize the components of retirement expense recognized in the statements of comprehensive income and the retirement liability recognized in the balance sheets as at and for the period ended July 31, 2012 and June 30, 2012:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Retirement cost (recognized as part of "Salaries and benefits") (see Note 11):		
Current service cost	**₱–**	₱15,108
Interest cost	**–**	14,276
Net actuarial gain recognized in the year	**–**	(20,235)
Benefits paid	**–**	1,212,329
	₱–	₱1,221,478

	July 31	June 30
Pension liability:		
Defined benefit obligation	**₱9,149**	₱9,149
Unrecognized actuarial loss	**–**	–
	₱9,149	₱9,149

	July 31 (One Month - see Note 2)	June 30 (One Year)
Changes in the present value of defined benefit obligation:		
Balance at beginning of period	**₱9,149**	₱1,859,900
Current service cost	**–**	15,108
Interest cost	**–**	14,276
Net actuarial gain recognized in the period	**–**	(20,235)
Actuarial loss (gain) on obligation	**–**	(218,700)
Benefits paid	**–**	(1,641,200)
	₱9,149	₱9,149

The principal assumptions used in determining the retirement liability of the Company are shown below:

	July 31	June 30
Discount rate	**9.21%**	9.21%
Future salary rate increases	**5.00%**	5.00%

The amounts for the current and previous periods are as follows:

	July 31	June 30
Defined benefit obligation	**₱9,149**	₱9,149
Change in actuarial assumptions	**–**	–
Experience adjustment on defined benefit obligation	**–**	–

On May 30, 2012, the Company made an early retirement payout to all its regular employees as a result of the change in management brought by PPCI's acquisition of GGCI's equity interest in the Company (see Note 1). Additional retirement benefit incurred arising from this transaction amounted to ₱1,212,329 for the year ended June 30, 2012.

16. **Income Tax**

Deferred Tax

The components of the Company's deferred tax assets are as follows:

	July 31	June 30
Excess of MCIT over RCIT	**₱4,411,182**	₱4,411,182
Accrued rent	**2,044,282**	1,901,781
NOLCO	**409,614**	409,614
Retirement liability	**2,745**	2,745
	₱6,867,823	₱6,725,322

The Company has the following NOLCO which can be deducted from future taxable income:

Date Incurred	Expiry Date	Amount
June 30, 2010	June 30, 2013	₱11,016
June 30, 2011	June 30, 2014	59,500
June 30, 2012	June 30, 2015	1,294,863
		₱1,365,379

The Company has the following MCIT which can be claimed as tax credit against RCIT:

Date Paid	Expiry Date	Amount
June 30, 2010	June 30, 2013	₱730,615
June 30, 2011	June 30, 2014	1,755,318
June 30, 2012	June 30, 2015	1,925,249
		₱4,411,182

Current Tax

The provision for current income tax pertains to RCIT for the month ended July 31, 2012 and MCIT for the year ended June 30, 2012.

The reconciliation between the provision for (benefit from) income tax computed at the statutory income tax rate and the provision for (benefit from) income tax as shown in the statements of comprehensive income is as follows:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Provision for (benefit from) income tax computed at statutory tax rate	**₱2,996,778**	(₱1,593,871)
Income tax effects of:		
Interest income already subjected to final tax	**(55)**	(20,692)
Nondeductible expenses	**14,917**	7,279
	₱3,011,640	(₱1,607,284)

17. Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities as at July 31, 2012 and June 30, 2012.

	July 31		June 30	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash	**₱33,002,429**	**₱33,002,429**	₱42,268,104	₱42,268,104
Trade and other receivables*	**10,425,271**	**10,425,271**	3,397,580	3,397,580
Due from related parties	**1,400,000**	**1,400,000**	1,400,000	1,400,000
Refundable deposits	**443,733**	**642,364**	2,160,253	2,269,693
	₱45,271,433	**₱45,470,064**	₱49,225,937	₱49,335,377
Financial Liabilities				
Other financial liabilities:				
Trade and other payables**	**₱105,485,520**	**₱105,485,520**	₱115,810,029	₱115,810,029
Due to related parties	**9,766,386**	**9,766,386**	6,128,323	6,128,323
	₱115,251,906	**₱115,251,906**	₱121,938,352	₱121,938,352

* *Excludes receivables from suppliers and advances to suppliers, which are expected to be settled through invoice deduction, and advances to contractual employees which is included as part of "Other receivables" account, amounting to ₱8,183,957 and ₱7,596,117 as at July 31, 2012 and June 30, 2012, respectively.*

** *Excludes accrued rent computed under PAS 17, taxes payable and statutory liabilities amounting ₱6,814,273 and ₱7,255,152 as at July 31, 2012 and June 30, 2012, respectively.*

Carrying values of cash, trade and other receivables, due from related parties, trade and other payables and due to related parties approximate their fair values due to the short-term nature of the transactions.

As at July 31, 2012 and June 30, 2012, the fair value of refundable deposits is the estimated future cash flows, discounted to 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. Discount rates used range from 4% to 5% for the periods ended July 31, 2012 and June 30, 2012, based on Philippine Government Zero Coupon Yield.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at July 31, 2012 and June 30, 2012, the Company has no financial asset and liability carried at fair value.

18. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, due from related parties, due to related parties and notes payable. The Company has various other financial assets and liabilities such as trade and other receivables, refundable deposits and trade and other payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing these risks as summarized below:

Credit Risk
Credit risk is the risk that the Company will incur a loss arising from its customers or counterparties that fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk that the Company is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

The Company trades only with recognized and creditworthy third parties.

Trade and other receivables are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from cash in banks, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of cash in banks less insurance.

The Company has no significant concentrations of credit risk.

The table below shows the maximum exposure to credit risk for the components of the balance sheets as at July 31, 2012 and June 30, 2012:

	July 31		June 30	
	Gross Maximum Exposure[(1)]	**Net Maximum Exposure[(2)]**	Gross Maximum Exposure[(1)]	Net Maximum Exposure[(2)]
Cash [(a)]	**₱29,550,868**	**₱27,200,506**	₱41,063,104	₱38,820,806
Trade and other receivables[(b)]	**10,425,271**	**10,425,271**	3,397,580	3,397,580
Due from related parties	**1,400,000**	**1,400,000**	1,400,000	1,400,000
Refundable deposits	**443,733**	**443,733**	2,160,253	2,160,253
	₱41,819,872	**₱39,469,510**	₱48,020,937	₱45,778,639

[(1)] *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

[(2)] *Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

[(a)] *Excludes cash on hand, amounting to ₱3,451,561 and ₱1,205,000 as at July 31, 2012 and June 30, 2012, respectively.*

[(b)] *Excludes receivables from suppliers and advances to suppliers amounting to ₱8,183,957 and ₱7,596,117 as at July 31, 2012 and June 30, 2012, respectively.*

The credit quality of the Company's financial assets is being managed by the Company using the internal credit ratings. Cash amounting to ₱29,550,868 and ₱41,063,104 as at July 31, 2012 and June 30, 2012, respectively, trade and other receivables amounting to ₱10,425,271 and ₱3,397,580 as at July 31, 2012 and June 30, 2012, respectively, due from related parties amounting to ₱1,400,000 as at July 31, 2012 and June 30, 2012, and refundable deposits amounting to ₱443,733 and ₱2,160,253 as at July 31, 2012 and June 30, 2012, respectively, are considered as high grade. These financial assets of the Company are neither past due nor impaired.

The following tables show the aging analysis of the Company's financial assets that are past due but not impaired as at July 31, 2012 and June 30, 2012, respectively:

	July 31					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		1 to 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Impaired**	**Total**
Cash[a]	**₱29,550,868**	**₱–**	**₱–**	**₱–**	**₱–**	**₱29,550,868**
Trade and other receivables[(b)]	**10,425,271**	**–**	**–**	**–**	**–**	**10,425,271**
Due from related parties	**1,400,000**	**–**	**–**	**–**	**–**	**1,400,000**
Refundable deposits	**443,733**	**–**	**–**	**–**	**–**	**443,733**
	₱41,819,872	**₱–**	**₱–**	**₱–**	**₱–**	**₱41,819,872**

	June 30					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1 to 30 Days	31 to 60 Days	61 to 90 Days	Impaired	Total
Cash[a]	₱41,063,104	₱–	₱–	₱–	₱–	₱41,063,104
Trade and other receivables[(b)]	3,397,580	–	–	–	–	3,397,580
Due from related parties	1,400,000	–	–	–	–	1,400,000
Refundable deposits	2,160,253	–	–	–	–	2,160,253
	₱48,020,937	₱–	₱–	₱–	₱–	₱48,020,937

[(a)] *Excludes cash on hand, amounting to ₱3,451,561 and ₱1,205,000 as at July 31, 2012 and June 30, 2012, respectively.*

[(b)] *Excludes receivables from suppliers and advances to suppliers, which are expected to be settled through invoice deduction, totaling to ₱8,183,957 and ₱7,560,500 as at July 31, 2012 and June 30, 2012, respectively, and advances to contractual employees, which are expected to be settled through salary deduction, amounting to nil and ₱35,617 as at July 31, 2012 and June 30, 2012, respectively.*

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Impaired financial assets are receivables which are overdue by more than 90 days or with any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract. Impaired financial assets are fully provided with allowances. The impairment allowance is periodically reviewed by management to ensure alignment with the Company's policy.

Liquidity Risk

The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and pay for its liabilities with the suppliers. To cover its financing requirements, the Company uses internally generated funds.

As part of its liquidity risk management program, the Company regularly evaluates the projected and actual cash flow information.

The tables below summarize the maturity profile of the Company's financial assets and its financial liabilities used for liquidity management as at July 31, 2012 and June 30, 2012.

			July 31		
	On Demand	1–3 Months	**4–12 Months**	More than 1 Year but Less than 5 Years	**Total**
Financial Assets					
Cash	**₱33,002,429**	₱–	₱–	**₱–**	**₱33,002,429**
Trade and other receivables[(a)]	**10,425,271**	–	–	–	**10,425,271**
Due from related parties	–	–	1,400,000	–	**1,400,000**
Refundable deposits	–	–	–	**443,733**	**443,733**
	₱43,427,700	₱	₱1,400,000	**₱443,733**	**₱45,271,433**
Financial Liabilities					
Trade and other payables:					
Trade	**₱–**	**₱–**	**₱89,423,434**	**₱–**	**₱89,423,434**
Nontrade	–	–	**6,987,718**	–	**6,987,718**
Accrued expenses[(b)]	**8,243,232**	–	–	–	**8,243,232**
Others	–	–	**855,793**	–	**855,793**
Due to related parties	–	–	**9,766,386**	–	**9,766,386**
	₱8,243,232	₱–	**₱107,033,331**	**₱–**	**₱115,276,563**

			June 30		
	On Demand	1–3 Months	4–12 Months	More than 1 Year but Less than 5 Years	Total
Financial Assets					
Cash	₱42,268,104	₱–	₱–	₱–	₱42,268,104
Trade and other receivables[(a)]	3,397,580	–	–	–	3,397,580
Due from related parties	–	–	1,400,000	–	1,400,000
Refundable deposits	–	–	–	2,160,253	2,160,253
	₱45,665,684	₱–	₱1,400,000	₱2,160,253	₱49,225,937

	June 30				
	On Demand	1–3 Months	4–12 Months	More than 1 Year but Less than 5 Years	Total
Financial Liabilities					
Trade and other payables:					
Trade	₱–	₱95,554,505	₱–	₱–	₱95,554,505
Nontrade	–	7,398,644	–	–	7,398,644
Accrued expenses[(b)]	651,014	–	–	–	651,014
Others[(c)]	–	–	1,881,357	–	1,881,357
Due to related parties	–	–	6,496,865	–	6,496,865
	₱651,014	₱102,953,149	₱8,378,222	₱–	₱111,982,385

[(a)] *Excludes receivables from suppliers and advances to suppliers, which are expected to be settled through invoice deduction, totaling to ₱8,183,957 and ₱7,560,500 as at July 31, 2012 and June 30, 2012, respectively, and advances to contractual employees, which are expected to be settled through salary deduction, amounting to nil and ₱35,617 as at July 31, 2012 and June 30, 2012, respectively.*

[(b)] *Excludes accrued rent computed under PAS 17 amounting to ₱6,814,273 and ₱6,339,271 as at July 31, 2012 and June 30, 2012, respectively.*

[(c)] *Excludes statutory liabilities amounting to ₱nil and ₱30,231 as at July 31, 2012 and June 30, 2012, respectively.*

The Company's current assets amounted to ₱108,380,028 and ₱106,630,675 as at July 31, 2012 and June 30, 2012, respectively, while current liabilities amounted to ₱125,606,127 and ₱129,554,654 as at July 31, 2012 and June 30, 2012, respectively.

<u>Capital Risk Management Policy</u>

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

The Company's President has overall responsibility for monitoring capital in proportion to risk and makes adjustments to it in light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company is not subject to externally imposed capital requirements.

The Company's objectives, policies or processes as at July 31, 2012 and June 30, 2012 is consistent with the policies of PPCI.

19. Note to Statement of Cash Flows

For the month ended July 31, 2012, the principal noncash transaction pertains to the acquisition of property and equipment from an affiliate amounting to ₱26,518.

20. Events After the Balance Sheet Date

On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity. As at October 11, 2012, the Company is still in the process of securing the approval and filing of necessary documents with the SEC (see Note 1).

COVER SHEET

A S 0 9 5 - 4 5 3 0

SEC Registration Number

GANT DIAMOND III CORPORATION (A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

(Company's Full Name)

No. 226 Bayan Bayanan Avenue, Concepcion 1, Marikina City

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

Leonardo B. Dayao	367-1539
(Contact Person)	(Company Telephone Number)

0 7 / 3 1	A F S	0 5 / 3 0
Month *Day* (Fiscal Year)	(Form Type)	*Month* *Day* (Annual Meeting)

–

(Secondary License Type, If Applicable)

–	–
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

6	₱39,867	–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Gant Diamond III Corporation** is responsible for the preparation and fair presentation of the financial statements for the period ended July 31, 2012 and for the year ended June 30, 2012, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

LEONARDO B. DAYAO
Chairman of the Board

IRAIDA B. DE GUZMAN
President

DENISE MARIA D. CAROLINO
Corporate Financial Officer

Signed this 11th day of October 2012

SUBSCRIBED AND SWORN to before me, this OCT 16 2012 day of ________ 2012 at MANILA; affiants exhibited to me their Tax Identification Numbers Leonardo B. Dayao 135-546-815, Iraida B. De Guzman 156-419-202 and Denise Maria D. Carolino 136-576-655.

Doc No. 470
Page No. 95
Book No. 60
Series of 2012

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC - CITY OF MANILA
ADMIN. NO. 2011-[illegible] UNTIL DEC. 31, 201[illegible]
ROLL NO. [illegible]899
[illegible] 945 [illegible] BINONDO MANILA
IBP NO. [illegible] 28-2011 MANILA
PTR NO. MLA [illegible] 12-19-2011 MANILA
MCLE COMPLIANCE NO. 111-0016300

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Philippines

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www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Gant Diamond III Corporation
No. 226 Bayan Bayanan Avenue
Concepcion 1, Marikina City

Report on the Financial Statements

We have audited the accompanying financial statements of Gant Diamond III Corporation (a wholly owned subsidiary of Gant Group of Companies Incorporated), which comprise the balance sheets as at July 31, 2012 and June 30, 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the month ended July 31, 2012 and the year ended June 30, 2012, 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 auditor's 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 Gant Diamond III Corporation as at July 31, 2012 and June 30, 2012, and its financial performance and its cash flows for the periods then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174823, January 2, 2012, Makati City

October 11, 2012

GANT DIAMOND III CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

BALANCE SHEETS
JULY 31, 2012 AND JUNE 30, 2012

	July 31	June 30
ASSETS		
Current Assets		
Cash (Notes 4, 18 and 19)	**₱29,310,960**	₱26,461,545
Trade and other receivables (Notes 5, 14, 18 and 19)	**13,745,394**	9,476,660
Merchandise inventory (Note 11)	**57,457,715**	60,988,638
Due from related parties(Notes 14, 18 and 19)	**38,124,514**	38,124,514
Prepaid expenses and other current assets (Notes 6, 15, 18 and 19)	**2,776,653**	1,102,749
Total Current Assets	**141,415,236**	136,154,106
Noncurrent Assets		
Property and equipment (Note 7)	**8,437,866**	8,777,322
Deferred tax assets (Note 17)	**4,584,976**	3,978,828
Refundable deposits and other noncurrent assets (Notes 15, 18 and 19)	**3,094,184**	3,083,081
Total Noncurrent Assets	**16,117,026**	15,839,231
	₱157,532,262	₱151,993,337
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 7, 8, 14, 18 and 19)	**₱128,620,684**	₱131,155,971
Due to related parties (Notes 14, 18 and 19)	**15,893,840**	6,737,873
Income tax payable	**491,661**	385,570
Notes payable (Notes 9, 18 and 19)	**39,867**	61,987
Total Current Liabilities	**145,046,052**	138,341,401
Noncurrent Liability		
Retirement liability (Note 16)	**11,811**	11,811
Equity		
Capital stock	**11,500,000**	11,500,000
Retained earnings (Note 10)	**974,399**	2,140,125
Total Equity	**12,474,399**	13,640,125
	₱157,532,262	₱151,993,337

See accompanying Notes to Financial Statements.

GANT DIAMOND III CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
NET SALES (Note 14)	**₱75,386,157**	₱1,200,860,226
COST OF SALES (Notes 11 and 14)	**70,272,600**	1,094,396,116
GROSS PROFIT	**5,113,557**	106,464,110
Operating expenses (Notes 12, 14, 15 and 16)	**(6,982,105)**	(109,447,516)
Interest income (Notes 4 and 15)	**12,239**	231,299
Interest expense (Note 9)	**(459)**	(63,968)
Other income (Notes 13 and 15)	**190,985**	3,546,353
INCOME (LOSS) BEFORE INCOME TAX	**(1,665,783)**	730,278
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)		
Current	**106,091**	2,200,209
Deferred	**(606,148)**	(2,000,303)
	(500,057)	199,906
NET INCOME (LOSS)	**(1,165,726)**	530,372
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱1,165,726)**	₱530,372

See accompanying Notes to Financial Statements.

GANT DIAMOND III CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CHANGES IN EQUITY
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CAPITAL STOCK - ₱100 par value		
Authorized - 300,000 shares		
Issued - 115,000 shares	**₱11,500,000**	₱11,500,000
RETAINED EARNINGS (Note 10)		
Balance at beginning of period	**2,140,125**	9,609,753
Total comprehensive income (loss)	**(1,165,726)**	530,372
Cash dividends	–	(8,000,000)
Balance at end of period	**974,399**	2,140,125
	₱12,474,399	₱13,640,125

See accompanying Notes to Financial Statements.

GANT DIAMOND III CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CASH FLOWS
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱1,665,783)	₱730,278
Adjustments for:		
Depreciation and amortization (Notes 7 and 12)	339,456	5,371,249
Interest income (Notes 4 and 15)	(12,239)	(231,299)
Interest expense (Note 9)	459	63,968
Operating income (loss) before working capital changes	(1,338,107)	5,934,196
Retirement cost (Note 16)	–	2,485,792
Decrease (increase) in:		
Trade and other receivables	(4,268,734)	(8,498,084)
Merchandise inventory	3,530,923	(4,568,907)
Due from related parties	–	(6,819,678)
Prepaid expenses and other current assets	(1,673,904)	1,016,187
Increase (decrease) in:		
Trade and other payables	(2,535,287)	20,436,369
Due to related parties	9,155,967	6,737,873
Net cash generated from operations	2,870,858	16,723,748
Retirement benefits paid (Note 16)	–	(2,963,881)
Income taxes paid	–	(153,188)
Interest received	1,136	98,274
Net cash provided by operating activities	2,871,994	13,704,953
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Notes 7 and 20)	–	(1,693,970)
Decrease in refundable deposits and other noncurrent assets	–	527,635
Net cash used in investing activities	–	(1,166,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Notes payable	(22,120)	(272,936)
Interest expense	(459)	(63,968)
Cash dividends (Note 10)	–	(8,000,000)
Cash used in financing activities	(22,579)	(8,336,904)
NET INCREASE IN CASH	2,849,415	4,201,714
CASH AT BEGINNING OF PERIOD	26,461,545	22,259,831
CASH AT END OF PERIOD	₱29,310,960	₱26,461,545

See accompanying Notes to Financial Statements.

1. Corporate Information

Gant Diamond III Corporation (the Company), is incorporated in the Philippines primarily to engage in wholesale and retail of general merchandise. The registered office address of the Company is No. 226 Bayan Bayanan Avenue, Concepcion 1, Marikina City.

On June 6, 2011, the Company's individual shareholders entered into a Deed of Assignment with Gant Group of Companies Incorporated (GGCI), wherein they transferred their rights, title and interests in the Company in exchange for shares of GGCI. Consequently, the Company became a wholly-owned subsidiary of GGCI effective June 6, 2011. The transfer of the Company's shares and the corresponding issuance of GGCI shares to the individual shareholders were approved by the SEC on December 2, 2011. GGCI, the Parent Company, is incorporated in the Philippines and is also owned by the previous individual shareholders of the Company.

On May 30, 2012, Puregold Price Club, Inc. (PPCI) acquired 100% equity interest in GGCI from its previous individual shareholders. Effective on that date, GGCI become a wholly owned subsidiary of PPCI. PPCI, the ultimate parent company, is engaged in the business of trading goods such as consumer products on a wholesale and retail business.

On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity. As at October 11, 2012, the Company is still in the process of securing the approval and filing of the necessary documents with the SEC.

The Board of Directors (BOD) approved the issuance of the Company's financial statements as at July 31, 2012 on October 11, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine peso. All values are rounded to the nearest peso, except when otherwise indicated. The Company's financial statements for the one month ended July 31, 2012 are prepared in connection with PPCI's application for merger of all its wholly-owned subsidiaries with PPCI, with PPCI being the surviving entity.

In relation to the merger as disclosed in Note 1, the amounts presented in the July 31, 2012 statement of comprehensive income, changes in equity, cash flows and the related notes to the Company's financial statements are for one month and, accordingly, are not comparable with that of previous period.

Statement of Compliance

The financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS include statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Financial Reporting Standards Council.

Under the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs), the Company qualified under the definition of an SME. However, the Company elected not to adopt PFRS for SMEs under the exemption provided by the SEC, specifically, being a subsidiary of a parent company reporting under full PFRS. The Company is a subsidiary of PPCI which prepares consolidated financial statements in compliance with PFRS.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations based on equivalent interpretations which were adopted as of July 1, 2011.

- PAS 24, *Related Party Disclosures (Amendment)*

  The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues.*

  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- Philippine Interpretation 14, *Prepayments of a Minimum Funding Requirement (Amendment)*

  The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

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

  This interpretation is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

- Amendment to PFRS 7, *Disclosures - Transfers of Financial Assets*

  The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011.

Improvements to PFRSs
In May 2010, the International Accounting Standards Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

- PFRS 3, *Business Combinations*

  The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- PFRS 7, *Financial Instruments: Disclosures*

  The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, *Presentation of Financial Statements*

  The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*

  The improvement clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investment in Associates*, and PAS 31, *Interest in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier. This interpretation is applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

  The amendment clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Company recognizes a financial asset or financial liability in its statement 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 trade date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are measured at fair value through profit or loss (FVPL).

Determination of Fair Value. The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking 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.

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

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

Classification of Financial Instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are categorized as financial liabilities at FVPL and other financial liabilities. The Company determines the classification at initial recognition and re-evaluates this designation at every financial reporting date, where allowed and appropriate.

As at July 31, 2012 and June 30, 2012, the Company has no financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method (EIR) less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in the interest income in the statement of comprehensive income. Losses arising from impairment are recognized as provision for doubtful accounts in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

As at July 31, 2012 and June 30, 2012, this category includes cash, trade and other receivables, due from related parties, and refundable deposits presented as part of "Refundable deposits and other noncurrent assets" account in the balance sheets (see Note 18).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at July 31, 2012 and June 30, 2012, this category includes trade and other payables, due to related parties and notes payable (see Note 18).

Impairment of Financial Assets

The Company assesses at each financial reporting date whether a financial asset or a group of financial assets is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the 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 that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Cash flows from trade and other receivables and refundable deposits are not discounted if the effect of discounting is immaterial. The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of loss experience for assets with credit risk characteristics similar to those in the Company. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provided for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own shares.

If the Company does not have the unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Derecognition of Financial Instruments

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 right to receive cash flows from the asset has expired;
- the Company 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 Company has transferred its right 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 Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company'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 Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 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 the statement of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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 financial assets and liabilities are presented at gross amounts in the balance sheet.

Merchandise Inventory
Merchandise inventory is valued at the lower of cost or net realizable value. Cost is determined using the first-in, first out method. Net realizable value is the selling price in the ordinary course of business less cost to sell.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and if the recognition criteria are met.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further depreciation and amortization is charged to current operations.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	20 years or terms of the lease agreement, whichever is shorter
Transportation equipment	5 years
Furniture and equipment	3 years

Impairment of Property and Equipment
The Company assesses at each financial reporting date whether there is an indication that its property and equipment may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of

those from other assets or groups of assets. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. Fair value is the amount obtainable from the sale of an asset in arm's length transaction less the costs of disposal. 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 assessment of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

Retained Earnings. Retained earnings represent the Company's accumulated earnings, net of dividends declared.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue shown as "Net Sales" in the statement of comprehensive income is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Net sales are measured at the fair value of the consideration received, net of discounts, returns and value-added taxes.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Revenue is recognized when earned.

Cost Sales and Expenses

Cost of sales and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost of sales and expenses are recognized in the statement of comprehensive income in the year these are incurred.

Retirement Cost

The Company has an unfunded, defined benefit retirement plan covering substantially all of its regular employees, which follows the minimum requirements set forth by Republic Act No. 7641. The cost of providing benefits under this defined benefit plan is actuarially determined using the projected unit credit valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The amount recognized as defined benefit liability is the aggregate of the present value of the defined benefit obligation at the reporting date, and any actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contribution plan.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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 passage of time is recognized as an interest expense.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;

b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Lease payments under an operating lease are recognized as income or expense in the statement of comprehensive income on a straight-line basis over the term of the lease. For income tax purposes, expenses under operating lease arrangements are treated as deductible expenses in accordance with the terms of the lease agreements.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and 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 carry forward benefits of unused MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial 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 financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

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

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT 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 VAT included.

The net amount of VAT recoverable from or payable to the tax authority is included under "Prepaid expenses and other current assets" or "Trade and other payables" accounts, respectively, in the balance sheet.

Contingencies

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

Events After the Reporting Date

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

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to July 31, 2012

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

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

  The clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period: (a) the gross amounts of those recognized financial assets and recognized financial liabilities; (b) the amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position; (c) the net amounts presented in the statement of financial position; (d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including: (i) amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and (ii) amounts related to financial collateral (including cash collateral); and (e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

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

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*

  PFRS 12 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Financial Statement Presentation – Presentations of Items of Other Comprehensive Income*

  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Amendment)*

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

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

  As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (Revised)*

  As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment to PAS 28 becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities*

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

3. Management's Use of Judgment, Estimates and Assumptions

In preparing the financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The Company believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on financial statements.

Judgment

In the process of applying the accounting policies, management has made judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

Evaluating Lease Commitments. The Company has entered into various lease agreements as a lessee and lessor.

a. Company as a Lessee

   The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership on the lease of various building spaces. The Company accounts for the contracts as operating leases because the lease agreements do not transfer to the Company the ownership over the assets at the end of the lease term and do not provide the Company with a bargain purchase option over the leased assets.

   Rent expenses amounted to ₱1,032,897 and ₱13,438,320 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

b. Company as a Lessor

   The Company has entered into subleases for certain area in its trading facilities. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties. The Company accounts for the contracts as operating leases because the lease agreements do not transfer ownership of the assets to the lessee at the end of the lease term and do not give the lessee a bargain purchase option over leased the assets.

   Rent income amounted to ₱151,341 and ₱1,681,722 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 13).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining Fair Value of Financial Assets and Liabilities. Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the Company's balance sheet, which requires the use of accounting judgment and estimates. Significant components of fair value measurement are determined using verifiable objective evidence (i.e., interest rates, volatility rates), and timing and amount of changes in fair value would differ with the valuation methodology used. Any changes in fair value of these financial assets and liabilities would affect the disclosures made by management (see Note 18).

Estimating Allowance for Doubtful Accounts. The Company reviews its receivables at each financial reporting date to assess whether an allowance for doubtful accounts should be recorded in the statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in industry risk, as well as identified structural weaknesses or deterioration in cash flows.

Receivables, net of allowance for doubtful accounts, amounted to ₱13,745,394 and ₱9,476,660 as at July 31, 2012 and June 30, 2012, respectively. Allowance for doubtful accounts amounting to ₱65,030 as at July 31, 2012 and June 30, 2012 pertain to trade receivable only (see Note 5).

Net Realizable Value of Merchandise Inventory. The Company provides allowance for inventory losses whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account, if any, is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

The Company assessed that the net realizable value of inventories is higher than cost hence, the Company did not recognize any losses on write-down of inventories. The carrying values of merchandise inventory amounted to ₱57,457,715 and ₱60,988,638 as at July 31, 2012 and June 30, 2012, respectively (see Note 11).

Estimating Useful Lives of Property and Equipment. The useful life of each item of the Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. The estimation of the useful life of property and equipment is also based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at least periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limitations on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in these factors and circumstances 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 life of any property and equipment would increase the recorded depreciation and amortization expense and decrease the carrying amount of property and equipment.

There were no changes in the estimated useful lives of the Company's leasehold improvement for the month ended July 31, 2012. For the year ended June 30, 2012, the estimated useful life of the Company's leasehold improvements was changed from three years or term of the lease agreements, whichever is shorter, to 20 years or term of the lease agreement, whichever is shorter, to be consistent with the accounting policies used by PPCI. The effect of the change in estimate was a decrease in annual depreciation expense of ₱1,040,184 for the year ended June 30, 2012. There were no changes in the estimated useful lives of the other components of property and equipment for the month ended July 31, 2012 and the year ended June 30, 2012. The carrying values of property and equipment amounted to ₱8,437,866 and ₱8,777,322 as at July 31, 2012 and June 30, 2012, respectively (see Note 7).

Impairment of Property and Equipment. An impairment review is performed when certain indicators are present. Determining the value of property and equipment which requires 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 such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operations of the Company.

While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment indicators were identified during the month ended July 31, 2012 and year ended June 30, 2012, and as such, no impairment losses were recognized. The net book value of the Company's property and equipment amounted to ₱8,437,866 and ₱8,777,322 as at July 31, 2012 and June 30, 2012, respectively (see Note 7).

Estimating Realizability of Deferred Tax Assets. The Company reviews the carrying amounts at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on forecasted taxable profit of the subsequent financial reporting periods. The forecast is based on past results and future expectations on revenues and expenses.

The Company has no unrecognized deferred tax assets as at July 31, 2012 and June 30, 2012. Deferred tax assets recognized in the balance sheets amounted to ₱4,584,796 and ₱3,978,828 as at July 31, 2012 and June 30, 2012, respectively (see Note 17).

Retirement Liability. The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Company's actuary in calculating such amounts. Those assumptions were described in Note 16 and included among others, discount rate and future salary rate increase. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's retirement obligations.

Retirement liability amounted to ₱11,811 as at July 31, 2012 and June 30, 2012 (see Note 16). Pension expense for the month ended July 31, 2012 is not significant.

4. Cash

This account consists of:

	July 31	June 30
Cash on hand	**₱3,862,224**	₱1,242,000
Cash in banks	**25,448,736**	25,219,545
	₱29,310,960	₱26,461,545

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱1,136 and ₱98,274 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

5. Trade and Other Receivables

This account consists of:

	July 31	June 30
Trade	**₱4,839,502**	₱761,176
Receivables from suppliers (see Note 14)	**7,489,186**	6,957,097
Nontrade	**1,376,676**	1,247,917
Due from related parties (see Note 14)	**105,060**	167,086
Advances to suppliers	–	41,738
Others	–	366,676
	13,810,424	9,541,690
Less allowance for doubtful accounts	**65,030**	65,030
	₱13,745,394	₱9,476,660

The allowance for doubtful accounts amounting to ₱65,030 pertains to uncollectible credit card sales transactions.

The terms and conditions of the above receivables are as follows:

a. Trade receivables include credit card sales transactions which are noninterest-bearing and are generally collectible within three to five days following the sale.

   For terms and conditions relating to related party receivables, refer to Note 14.

b. Receivables from suppliers pertain to conditional trade discounts given by manufacturers/suppliers to PPCI for undertaking promotional activities including but not limited to provisions of prime space or preferred locations for product display and in-store advertisements, product bundling and product sampling, which are subject to the happening of an event or the fulfillment of certain conditions as agreed between the manufacturers/suppliers and the PPCI. PPCI allocated portions of the trade discount to the Company which will be applied to subsequent suppliers' invoices.

   As at October 11, 2012, about 73% of the outstanding balance of the receivables from suppliers has been applied against suppliers' invoices.

c. Advances to suppliers are noninterest-bearing and are normally settled through invoice deduction. Nontrade and other receivables are noninterest-bearing and are generally on a 30-day credit term.

6. Prepaid Expenses and Other Current Assets

This account consists of:

	July 31	June 30
Prepaid local taxes	**₱1,503,442**	₱–
Input tax	**480,421**	441,509
Prepaid rent (see Note 15)	**607,439**	618,605
Others	**185,351**	42,635
	₱2,776,653	₱1,102,749

7. Property and Equipment

This account consists of:

	July 31			
	Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Total
Cost:				
Balance at beginning of period	₱12,880,089	₱27,539,133	₱3,912,892	₱44,332,114
Additions	–	–	–	–
Disposals and retirement	–	–	–	–
Balance at end of period	12,880,089	27,539,133	3,912,892	44,332,114
Accumulated depreciation and amortization:				
Balance at beginning of period	9,279,151	24,243,565	2,032,076	35,554,792
Depreciation and amortization (see Note 12)	68,063	206,178	65,215	339,456
Disposals and retirement	–	–	–	–
Balance at end of period	9,347,214	24,449,743	2,097,291	35,894,248
Net book value	₱3,532,875	₱3,089,390	₱1,815,601	₱8,437,866

	June 30			
	Leasehold Improvements	Furniture and Fixtures	Transportation Equipment	Total
Cost:				
Balance at beginning of year	₱12,580,299	₱26,825,596	₱3,495,035	₱42,900,930
Additions	299,790	713,537	1,044,643	2,057,970
Disposals and retirement	–	–	(626,786)	(626,786)
Balance at end of year	12,880,089	27,539,133	3,912,892	44,332,114
Accumulated depreciation and amortization:				
Balance at beginning of year	8,479,671	20,530,982	1,799,676	30,810,329
Depreciation and amortization (see Note 12)	799,480	3,712,583	859,186	5,371,249
Disposals and retirement	–	–	(626,786)	(626,786)
Balance at end of year	9,279,151	24,243,565	2,032,076	35,554,792
Net book value	₱3,600,938	₱3,295,568	₱1,880,816	₱8,777,322

In August 2011, the Company acquired certain transportation equipment amounting to ₱1,044,643 on account. The outstanding balance as at July 31, 2012 and June 30, 2012 amounted to nil and ₱364,000, respectively and is presented as part of "Trade and other payables" account in the Company's balance sheets (see Note 8).

8. Trade and Other Payables

This account consists of:

	July 31	June 30
Trade	**₱107,485,516**	₱112,242,500
Nontrade (see Note 7)	**6,890,423**	8,169,408
Accrued expenses:		
Rent (see Note 15)	**7,293,152**	7,235,747
Professional fees	–	200,000
Others	**5,613,433**	744,226
Withholding taxes payable	**618,561**	1,170,457
Others	**719,599**	1,393,633
	₱128,620,684	₱131,155,971

The terms and conditions of the above liabilities are as follow:

a. Trade payables, accrued expenses and other payables are noninterest-bearing and are generally on a 30-day payment term.

b. Nontrade payables consist of payables for acquisition of transportation equipment, manpower services, repairs and maintenance and professional fees and are generally settled within one month.

9. Notes Payable

Notes payable represents loans from a local bank which was used to acquire certain vehicles. The loans are payable in 24 equal monthly installments with annual interest rates of 9.3% in 2011.

In September 2010, the Company obtained ₱496,000 loan with net monthly installments of ₱22,579, inclusive of interest, the first installment payment of which was made in October 2010.

Outstanding balance of the notes payable amounted to ₱39,867 and ₱61,987 as at July 31, 2012 and June 30, 2012, respectively. Total interest expense charged to operations which is shown as part of "Interest expense" account in the statements of comprehensive income amounted to ₱459 and ₱63,968 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

10. Equity

On October 7, 2011, the BOD approved the declaration of cash dividends on its common stock amounting to ₱8,000,000. The cash dividends were fully paid on February 12, 2012.

11. Cost of Sales

The movements and details of this account are as follows:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Merchandise inventory at beginning of period	**₱60,988,638**	₱56,419,731
Purchases - net of purchase returns, allowances and discounts (see Note 14)	**66,741,677**	1,098,965,023
Total merchandise available for sale	**127,730,315**	1,155,384,754
Merchandise inventory at end of period	**(57,457,715)**	(60,988,638)
	₱70,272,600	₱1,094,396,116

12. Operating Expenses

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Manpower services	**₱1,536,351**	₱27,776,643
Utilities (see Note 14)	**1,483,804**	16,345,889
Rent (see Notes 14 and 15)	**1,032,897**	13,438,320
Taxes and licenses	**754,711**	9,263,155
Security services	**713,399**	8,306,930
Salaries and benefits (see Notes 14 and 16)	**552,430**	15,869,459
Depreciation and amortization (see Note 7)	**339,456**	5,371,249
Supplies	**334,381**	5,980,191
Insurance	**63,910**	155,245
Advertising	**62,844**	318,472
Repairs and maintenance (see Note 14)	–	1,538,015
Service fees (see Note 14)	–	1,375,720
Entertainment, amusement and recreation	–	1,099,062
Fuel and oil	–	746,108
Professional fees	–	684,823
Transportation and travel	–	130,347
Others	**107,922**	1,047,888
	₱6,982,105	₱109,447,516

13. Other Income

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Rent (see Note 15)	**₱151,341**	₱1,681,722
Display allowances	**19,688**	773,477
Others	**19,956**	1,091,154
	₱190,985	₱3,546,353

Display allowances pertain to income earned by the Company for displaying the products of certain suppliers in the prime areas of the trading facilities.

14. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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 common significant influence.

Significant transactions with related parties include the following:

a. The Company, in the normal conduct of the business, sells and purchases merchandise inventories from and to its related parties. Outstanding balances from these transactions are presented as "Due from related parties" and "Due to related parties" under "Trade and other receivables" and "Trade and other payables" accounts in the balance sheets, respectively.

   The following table summarizes these transactions with related parties for the month ended July 31, 2012 and the year ended June 30, 2012:

Related Parties	Period	Sales	Amounts Owed from Related Party (see Note 5)	Purchases (see Note 11)
Gant Diamond Corporation (GDC)	**July 31**	**₱–**	**₱–**	**₱–**
	June 30	9,827	–	415,180
Super Retail VIII Corporation (SRVIII)	**July 31**	**–**	**–**	**–**
	June 30	23,157	–	269,258
Superagora X Corporation (SAX)	**July 31**	**–**	**–**	**–**
	June 30	72,501	–	750,245
Super Retail XV Corporation (SRXV)	**July 31**	**–**	**105,060**	**–**
	June 30	149,184	167,086	273,583
	July 31	**₱–**	**₱105,060**	**₱–**
	June 30	254,669	167,086	1,708,266

   There were no outstanding amounts owed to related parties arising from purchase transactions for the month ended July 31, 2012 and the year ended June 30, 2012.

b. In the normal course of business, the Company obtains from and grants cash advances to other related parties which are noninterest-bearing and are regularly settled within one year. Total advances to related parties, which is presented under "Due from related parties" account in the balance sheets, amounted to ₱38,124,514 as at July 31, 2012 and June 30, 2012.

   In 2012, the Company obtained non-interest bearing cash advances from PPCI, presented under "Due to related parties" account in the balance sheets, which amounted to ₱15,893,840 and ₱6,737,873 as at July 31, 2012 and June 30, 2012, respectively.

c. PPCI allocated certain amount of trade discounts to the Company which amounted to ₱532,089 and ₱6,957,097 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively. These trade discounts were given by manufactures/suppliers to PPCI for fulfilling certain conditions and/or the happening of certain events as agreed between the manufacturers/suppliers and the PPCI (see Note 5).

d. In June 2011, the Company entered into a service agreement for one year and one month with Lynxserv Corporation (LC), wherein the latter will provide transportation and other related services for the deliveries of goods of the Company to and from its branches. Total service fee, which is presented as part of "Service fees" under "Operating expenses" account in the statement of comprehensive income, amounted to ₱1,012,000 for the year ended June 30, 2012 (see Note 12). There were no service fees incurred for the month ended July 31, 2012.

The Company, GDC, SRVIII, SAX, SRXV and LC are subsidiaries of GGCI.

Terms and Conditions of Transactions with Related Parties
The sales and purchases from related parties are made at normal market prices. Outstanding balances of transactions with related parties at year-end are unsecured, noninterest-bearing and settled in cash. There have been no guarantees provided for or by any related party receivables and payables. For the month ended July 31, 2012 and the year ended June 30, 2012, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company
Effective May 30, 2012, the key management personnel of the Company and PPCI are the same. The compensation of key management personnel is shouldered by PPCI. For the year ended June 30, 2012, compensation of key management personnel amounted to ₱4,920,000 (see Note 12).

15. Lease Agreements

The Company as a Lessee

a. The Company leases the land and building in Marikina, where one of its trading facilities is located, for a period of 12 years which commenced on January 6, 2006. The annual rental amounted to ₱1,776,000 for the first three years and will increase by 10% in the fourth and eighth year, to be computed cumulatively until the termination of the lease contract. The Company paid ₱296,000 as a reservation fee, which was deducted from the first installment of the advance rentals. In 2008, the lease contract was amended removing the escalation clause for the whole term of the lease, thus, accrued rent on operating lease computed on a straight-line basis was reversed. In consideration of the withdrawal of the escalation provision by the lessor, the Company advanced the monthly rentals covering a period of one year and two months beginning July 2011 which amounted to ₱1,979,500. The remaining balance of the non-current portion of prepaid rent, which is shown as part of "Refundable deposits and other noncurrent assets" account in the balance sheets, amounted to nil and ₱264,286 as at July 31, 2012 and June 30, 2012, respectively.

b. Furthermore, the Company leases a building in Pasig, where one of its trading facilities is located, for a period of five years which commenced on June 6, 2008. The lessor provided free rental payments for the first three months of the lease period. The annual rental amounted to ₱1,157,895 and will increase by 10% after the second year of the contract.

   The refundable deposits paid for the above leased buildings were discounted to its present value using a pre-tax risk-free interest rate based on Philippine Government Zero Coupon Yield. This is presented under "Refundable deposits and other noncurrent assets" account in the balance sheets.

   The deposit was discounted using the effective interest rates ranging from 7.4% to 9.3% as at June 30, 2011. The deposit is carried at amortized cost using the EIR method. The excess of the principal amount of the deposit over its fair value is accounted for as prepaid rent, presented as part of "Prepaid expenses and other current assets" account in the balance sheets, and is amortized over the lease term on a straight-line basis which amounted to ₱607,439 and ₱618,605 as at July 31, 2012 and June 30, 2012, respectively (see Note 6). Interest on the deposit, meanwhile, is accounted for using the EIR method such that as the deposit is amortized using the EIR method and prepaid rent using the straight-line method, there is a profit or loss effect during the period. Accretion of deposit, which was included as part of "Interest income" account in the statements of comprehensive income, amounted to ₱11,103 and ₱133,025 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

c. In February 2010, the Company has entered into a contract of lease with K.C. Realty & Dev't Corp. (KC) for a period of one year with an option to renew for the building where the trading facilities of its branch in Marikina are located. Rent expense charged to operations amounted to ₱334,059 and ₱4,172,946 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

   The Company has also entered into a contract of lease with KC for the lease of office space for a period of one year starting March 1, 2011, with an option to renew. The fixed monthly rental amounted to ₱36,000 and ₱30,000 in 2012 and 2011, respectively. Rent expense charged to operations amounted to ₱36,000 and ₱432,000 for the one month ended July 31, 2012 and the one year ended June 30, 2012, respectively (see Note 12).

   Related to the building spaces utilities charged by KC to the Company amounted to ₱95,259 and ₱923,505 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

   GGCI and KC are under common shareholders until May 30, 2012.

Accrued rent included under "Trade and other payables" account in the balance sheets, representing the difference in accounting for rent expense under the straight-line computation and actual payment per contract for all lease agreements with KC and third party lessors amounted to ₱7,293,152 and ₱7,235,747 as at July 31, 2012 and June 30, 2012, respectively (see Note 8).

Rent expense charged to operations from the above agreements amounted to ₱651,672 and ₱8,833,374 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

As at July 31, 2012 and June 30, 2012, the future minimum lease payments covering the lease agreements with KC and third party lessors are as follows:

	July 31	June 30
Within one year	**₱10,318,526**	₱10,404,647
More than one year but not more than five years	**46,242,606**	46,990,549
	₱56,561,132	₱57,395,196

The Company as a Lessor

The Company subleases certain spaces of its trading facilities to various third parties, renewable annually. Rental income under "Other income" account in the statements of comprehensive income amounted to ₱151,341 and ₱1,681,722 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 13).

16. Retirement Liability

The Company has an unfunded, defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on employees' salaries and length of service and are actuarially computed using the projected unit credit method.

The following tables summarize the components of retirement cost recognized in the statements of comprehensive income and the retirement liability recognized in the balance sheets.

	July 31 (One month - see Note 2)	June 30 (One Year)
Retirement cost (recognized as part of "Salaries and benefits") (see Note 12):		
Current service cost	**₱–**	₱13,183
Interest cost	–	3,313
Amortization of actuarial loss (gain)	–	(4,685)
Benefits paid	–	2,473,981
	₱–	₱2,485,792

	July 31	June 30
Retirement liability	**₱11,811**	₱11,811

	July 31 (One month - see Note 2)	June 30 (One Year)
Changes in the present value of defined benefit obligation:		
Balance at beginning of year	**₱11,811**	₱489,900
Current service cost	–	13,183
Interest cost	–	3,313
Actuarial loss (gain) on obligation	–	(4,685)
Benefits paid	–	(489,900)
	₱11,811	₱11,811

The principal assumptions used in determining the retirement liability of the Company are shown below:

	July 31	June 30
Discount rate	**9.25%**	9.25%
Future salary rate increases	**5.00%**	5.00%

The amounts for the current and previous periods are as follows:

	July 31	June 30
Defined benefit obligation	**₱11,811**	₱11,811
Experience adjustment on defined benefit obligation	–	–

On May 30, 2012, the Company made an early retirement payout to all its regular employees as a result of the change in management brought by PPCI's acquisition of GGCI's equity interest in the Company (see Note 1). Additional retirement benefit incurred arising from this transaction amounted to ₱2,473,981 for the year ended June 30, 2012.

17. Income Tax

The components of the Company's deferred tax assets are as follows:

	July 31	June 30
Accrued rent computed on a straight line basis	**₱2,187,946**	₱2,170,724
Excess of MCIT over RCIT	**1,891,143**	1,785,052
NOLCO	**482,835**	–
Allowance for doubtful accounts	**19,509**	19,509
Retirement liability	**3,543**	3,543
	₱4,584,976	₱3,978,828

The Company has the following MCIT and NOLCO, which can be deducted against taxable income and regular income tax due as follows:

Date Incurred	Expiry Date	MCIT	NOLCO
June 30, 2012	June 30, 2014	₱1,785,052	₱–
July 31, 2012	July 31, 2016	106,091	1,609,450
		₱1,891,143	₱1,609,450

Current Tax
The current provision for income tax represents MCIT and for the month ended July 31, 2012 and the year ended June 30, 2012.

The reconciliation of the provision for income tax computed at the statutory tax rate and the provision for income tax, as shown in the statements of comprehensive income, is summarized as follows:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Provision for (benefit from) income tax computed at statutory tax rate	(₱499,735)	₱219,083
Add (deduct) income tax effects of:		
Interest income subjected to final tax	(341)	(29,482)
Unallowable portion of interest expense	–	7,029
Others	19	3,276
	(₱500,057)	₱199,906

18. **Financial Assets and Liabilities**

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as at July 31 and June 30.

	July 31		June 30	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash	₱29,310,960	₱29,310,960	₱26,461,545	₱26,461,545
Trade and other receivables[(a)]	6,256,208	6,256,208	2,477,825	2,477,825
Due from related parties	38,124,514	38,124,514	38,124,514	38,124,514
Refundable deposits and other noncurrent assets	3,094,184	3,094,184	3,083,081	3,221,167
	₱76,785,866	₱76,785,866	₱70,146,965	₱70,285,051
Financial Liabilities				
Other financial liabilities:				
Trade and other payables[(b)]	₱120,708,971	₱120,708,971	₱122,749,767	₱122,749,767
Due to related parties	15,893,840	15,893,840	6,737,873	6,737,873
Notes payable	39,867	39,867	61,987	61,987
	₱136,642,678	₱136,642,678	₱129,549,627	₱129,549,627

[(a)] *Excludes receivables from suppliers and advances to suppliers which are expected to be settled through invoice deduction, totaling to ₱7,489,186 and ₱6,998,835 as at July 31, 2012 and June 30, 2012, respectively.*

[(b)] *Excludes accrued rent computed under PAS 17, taxes payable and statutory liabilities totaling to ₱7,911,713 and ₱8,406,204 as at July 31, 2012 and June 30, 2012, respectively.*

Carrying values of cash, trade and other receivables, due from related parties, refundable deposits and other noncurrent assets, trade and other payables and due to related parties approximate their fair values due to the short-term nature of the transactions.

As at July 31, 2012, the movement of the fair value of the refundable deposits is not significant. Fair value of refundable deposits and other noncurrent assets is the estimated future cash flows, discounted to 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. Discount rates used range from 5.3% to 7.9% for the periods ended July 31, 2012 and June 30, 2012, based on Philippine Government Zero Coupon Yield.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at July 31, 2012 and June 30, 2012, the Company has no financial asset and liability carried at fair value.

19. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and due from related parties. The Company has various other financial assets and liabilities such as trade and other receivables, refundable deposits and trade and other payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing these risks as summarized below:

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from its customers, or counterparties that fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk that the Company is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

The Company trades only with recognized, creditworthy third parties. Trade and other receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risks arising from cash in banks, the Company's exposure to credit risks arises from default of the counterparty, with a maximum exposure that is equal to the carrying amount of cash in banks less insurance.

The Company has no significant concentrations of credit risk.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position as at July 31, 2012 and June 30, 2012:

	July 31		June 30	
	Gross Maximum Exposure[1]	**Net Maximum Exposure[2]**	Gross Maximum Exposure[1]	Net Maximum Exposure[2]
Cash[a]	**₱25,448,736**	**₱22,933,889**	₱25,219,545	₱22,704,698
Trade and other receivables[b]	**6,256,208**	**6,256,208**	2,477,825	2,477,825
Due from related parties	**38,124,514**	**38,124,514**	38,124,514	38,124,514
Refundable deposits and other noncurrent assets	**3,094,184**	**3,094,184**	3,083,081	3,083,081
	₱72,923,642	**₱70,408,795**	₱68,904,965	₱66,390,118

[1] Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.
[2] Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.
[a] Excludes cash on hand, amounting to ₱3,862,224 and ₱1,242,000 as at July 31, 2012 and June 30, 2012, respectively.
[b] Excludes receivables from suppliers and advances to suppliers which are expected to be settled through invoice deduction, totaling to ₱7,489,186 and ₱6,998,835 as at July 31, 2012 and June 30, 2012, respectively.

The credit quality of the Company's financial assets is being managed by the Company using the internal credit ratings. Cash in bank amounting to ₱25,448,736 and ₱25,219,545 as at July 31, 2012 and June 30, 2011, respectively, trade and other receivables amounting to ₱6,256,208 and ₱2,477,825 as at July 31, 2012 and June 30, 2012, respectively, due from related parties amounting to ₱38,124,514 as at July 31, 2012 and June 30, 2012, and refundable deposits amounting to ₱3,094,184 and ₱3,083,081 as at July 31, 2012 and June 30, 2012, respectively, are considered as high grade. These financial assets of the Company are neither past due nor impaired.

The following tables show the aging analysis of the Company's financial assets as at June 30.

	July 31					
		Past Due but not Impaired				
	Neither Past Due nor Impaired	**1 to 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Impaired**	**Total**
Cash[a]	**₱25,448,736**	**₱–**	**₱–**	**₱–**	**₱–**	**₱25,448,736**
Trade and other receivables[b]	**6,256,208**	–	–	–	**65,030**	**6,321,238**
Due from related parties	**38,124,514**	–	–	–	–	**38,124,514**
Refundable deposits and other noncurrent assets	**3,094,184**	–	–	–	–	**3,094,184**
	₱72,923,642	**₱–**	**₱–**	**₱–**	**₱65,030**	**₱72,988,672**

	June 30					
		Past Due but not Impaired				
	Neither Past Due nor Impaired	1 to 30 Days	31 to 60 Days	61 to 90 Days	Impaired	Total
Cash[a]	₱25,219,545	₱–	₱–	₱–	₱–	₱25,219,545
Trade and other receivables[b]	2,477,825	–	–	–	65,030	2,542,855
Due from related parties	38,124,514	–	–	–	–	38,124,514
Refundable deposits and other noncurrent assets	3,083,081	–	–	–	–	3,083,081
	₱68,904,965	₱–	₱–	₱–	₱65,030	₱68,969,995

[a] Excludes cash on hand, amounting to ₱3,862,224 and ₱1,420,000 as at July 31, 2012 and June 30, 2012, respectively.
[b] Excludes receivables from suppliers and advances to suppliers which are expected to be settled through invoice deduction, totaling to ₱7,489,186 and ₱6,998,835 as at July 31, 2012 and June 30, 2012, respectively.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Impaired financial assets are receivables which are overdue by more than 90 days or with any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract. Impaired financial assets are fully provided with allowances. The impairment allowance is periodically reviewed by the management to ensure alignment with the Company's policy.

Liquidity Risk

The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and pay for its liabilities with the suppliers. To cover its financing requirements, the Company uses internally generated funds.

As part of its liquidity risk management program, the Company regularly evaluates the projected and actual cash flow information.

The table below summarizes the maturity profile of the Company's financial assets and liabilities used for liquidity management as at June 30.

	July 31					
	On Demand	1-3 Months	4-12 Months	More than 1 Year but Less than 5 Years	More than 5 Years	Total
Financial Assets						
Cash	₱29,310,960	₱–	₱–	₱–	₱–	₱29,310,960
Trade and other receivables[a]	6,256,208	–	–	–	–	6,256,208
Due from related parties	–	38,124,514	–	–	–	38,124,514
Refundable deposits and other noncurrent assets	–	–	–	–	3,094,184	3,094,184
	₱35,567,168	₱38,124,514	₱–	₱–	₱3,094,184	₱76,785,866
Financial Liabilities						
Accounts payable and other current liabilities:						
Trade	₱–	₱107,485,516	₱–	₱–	₱–	₱107,485,516
Nontrade	–	6,890,423	–	–	–	6,890,423
Accrued expenses[b]	–	5,613,433	–	–	–	5,613,433
Others[c]	–	–	719,599	–	–	719,599
Due to related parties	15,893,840	–	–	–	–	15,893,840
Notes payable[d]	–	43,556	–	–	–	43,556
	₱15,893,840	₱120,032,928	₱719,599	₱–	₱–	₱136,646,367

	June 30					
	On Demand	1-3 Months	4-12 Months	More than 1 Year but Less than 5 Years	More than 5 Years	Total
Financial Assets						
Cash	₱26,461,545	₱–	₱–	₱–	₱–	₱26,461,545
Trade and other receivables[a]	2,477,825	–	–	–	–	2,477,825
Due from related parties	–	–	10,600,000	27,524,514	–	38,124,514
Refundable deposits and other noncurrent assets	–	–	–	–	3,083,081	3,083,081
	₱28,939,370	₱–	₱10,600,000	₱27,524,514	₱3,083,081	₱70,146,965

(Forward)

	June 30					
	On Demand	1–3 Months	4–12 Months	More than 1 Year but Less than 5 Years	More than 5 Years	Total
Financial Liabilities						
Accounts payable and other current liabilities:						
Trade	₱–	₱112,242,500	₱–	₱–	₱–	₱112,242,500
Nontrade	–	8,169,408	–	–	–	8,169,408
Accrued expenses[b]	–	944,226	–	–	–	944,226
Others[c]	–	–	1,393,633	–	–	1,393,633
Due to related parties	6,737,873	–	–	–	–	6,737,873
Notes payable[d]	–	67,724	–	–	–	67,724
	₱6,737,873	₱121,423,858	₱1,393,633	₱–	₱–	₱129,555,364

[a] *Excludes receivables from suppliers and advances to suppliers which are expected to be settled through invoice deduction, totaling to₱7,489,186 and ₱6,998,835 as at July 31, 2012 and June 30, 2012, respectively.*

[b] *Excludes accrued rent computed under PAS 17 amounting to ₱7,293,152 and ₱7,235,747 as at July 31, 2012 and June 30, 2012, respectively.*

[c] *Excludes statutory liabilities amounting to ₱65,000 as at June 30, 2011.*

[d] *Principal plus interest payments amounting to ₱3,689 and ₱5,737 as at July 31, 2012 and June 30, 2012, respectively.*

The Company's current assets amounted to ₱141,415,236 and ₱136,154,106 as at July 31, 2012 and June 30, 2012, respectively, while current liabilities amounted to ₱145,116,862 and ₱138,412,211 as at July 31, 2012 and June 30, 2012, respectively.

Capital Risk Management Policy

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

The Company's President has overall responsibility for monitoring capital in proportion to risk and makes adjustments to it in light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company is not subject to externally imposed capital requirements.

The Company's objectives, policies or processes as at July 31, 2012 and June 30, 2012 is consistent with the policies of PPCI.

20. Note to Statement of Cash Flows

For the year ended June 30, 2012, material non-cash transaction pertains to acquisition of property and equipment on account amounting to ₱364,000.

21. Events After the Balance Sheet Date

On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity. As at October 11, 2012, the Company is still in the process of securing the approval and filing of the necessary documents with the SEC (see Note 1).

COVER SHEET

CS2007-15778

SEC Registration Number

SUPER RETAIL VIII CORPORATION (A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

(Company's Full Name)

Unishoppe Building, M.L. Quezon Avenue, Barangay San Isidro, Angono, Rizal

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

Leonardo B. Dayao	365-6838
(Contact Person)	(Company Telephone Number)

07	31	AAFS	10	26
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

–	–
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

6	₱41,320	₱–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Super Retail VIII Corporation** is responsible for the preparation and fair presentation of the financial statements for the period ended July 31, 2012 and for the year ended June 30, 2012, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

LEONARDO B. DAYAO
Chairman of the Board

IRAIDA B. DE GUZMAN
President

DENISE MARIA D. CAROLINO
Corporate Financial Officer

Signed this 11th day of October 2012

SUBSCRIBED AND SWORN to before me, OCT 16 2012 day of ________ 2012 at MANILA; affiants exhibited to me their Tax Identification Numbers Leonardo B. Dayao 135-546-815, Iraida B. De Guzman 156-419-202 and Denise Maria D. Carolino 136-576-655.

Doc No. 444
Page No. 89
Book No. 60
Series of 2012 ________

ATTY. RONALD SEGUNDINO C. CH[illegible]
NOTARY PUBLIC - CITY OF MANILA
[illegible] DEC. 31, 20[illegible]
[illegible] MANILA
[illegible] MANILA
PTR NO. [illegible]
MCLE COMPLIANCE NO. III-00163[illegible]

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Super Retail VIII Corporation
Unishoppe Building, M.L. Quezon Avenue
Barangay San Isidro, Angono, Rizal

Report on the Financial Statements

We have audited the accompanying financial statements of Super Retail VIII Corporation (a wholly owned subsidiary of Gant Group of Companies Incorporated), which comprise the balance sheets as at July 31, 2012 and June 30, 2012, and the statements of comprehensive income, statements of changes in capital deficiency and statements of cash flows for the month ended July 31, 2012 and the year ended June 30, 2012, 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Super Retail VIII Corporation as at July 31, 2012 and June 30, 2012, and its financial performance and its cash flows for the periods then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174823, January 2, 2012, Makati City

October 11, 2012

SUPER RETAIL VIII CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

BALANCE SHEETS
JULY 31, 2012 AND JUNE 30, 2012

	July 31 (Note 2)	June 30
ASSETS		
Current Assets		
Cash (Notes 4, 19 and 20)	**₱27,174,629**	₱39,261,871
Trade and other receivables (Notes 5, 15, 19 and 20)	**13,984,871**	8,594,272
Merchandise inventory (Note 12)	**66,405,896**	48,590,996
Due from related parties (Notes 15, 19 and 20)	**13,300,000**	13,300,000
Other current assets (Notes 6 and 16)	**4,460,060**	2,941,373
Total Current Assets	**125,325,456**	112,688,512
Noncurrent Assets		
Property and equipment (Note 7)	**4,520,955**	4,698,985
Deferred tax assets (Note 18)	**5,639,619**	5,599,740
Refundable deposits and other noncurrent assets (Notes 8, 16, 19 and 20)	**2,634,685**	1,582,136
Total Noncurrent Assets	**12,795,259**	11,880,861
	₱138,120,715	₱124,569,373
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 9, 15, 16, 19 and 20)	**₱134,131,589**	₱121,007,161
Due to related parties (Notes 15, 19 and 20)	**3,843,465**	3,907,913
Income tax payable	**1,020,323**	837,483
Notes payable (Notes 7, 10, 19 and 20)	**41,320**	61,987
Total Current Liabilities	**139,036,697**	125,814,544
Noncurrent Liability		
Retirement liability (Note 17)	**3,466**	3,466
Capital Deficiency		
Capital stock	**5,000,000**	5,000,000
Deficit (Note 11)	**(5,919,448)**	(6,248,637)
Net Capital Deficiency	**(919,448)**	(1,248,637)
	₱138,120,715	₱124,569,373

See accompanying Notes to Financial Statements.

SUPER RETAIL VIII CORPORATION

(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
NET SALES (Note 15)	**₱59,909,476**	₱929,073,420
COST OF SALES (Notes 12 and 15)	**53,727,037**	851,787,167
GROSS PROFIT	**6,182,439**	77,286,253
Operating expenses (Notes 7, 13, 15, 16 and 17)	**(5,763,275)**	(88,956,083)
Interest income (Notes 4, 15 and 16)	**8,355**	95,073
Interest expense (Note 10)	**(1,912)**	(24,921)
Other income (Notes 14 and 16)	**46,544**	2,195,668
INCOME (LOSS) BEFORE INCOME TAX	**472,151**	(9,404,010)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)		
Current	**182,841**	1,589,638
Deferred	**(39,879)**	(4,388,087)
	142,962	(2,798,449)
NET INCOME (LOSS)	**329,189**	(6,605,561)
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱329,189**	(₱6,605,561)

See accompanying Notes to Financial Statements.

SUPER RETAIL VIII CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CAPITAL STOCK - ₱100 par value		
Authorized - 200,000 shares		
Issued and outstanding - 50,000 shares	**₱5,000,000**	₱5,000,000
DEFICIT		
Appropriated		
Balance at beginning of period	–	2,000,000
Reversal of appropriated retained earnings (Note 11)	–	(2,000,000)
Balance at end of period	–	–
Unappropriated:		
Balance at beginning of period	**(6,248,637)**	4,356,924
Total comprehensive income (loss)	**329,189**	(6,605,561)
Cash dividends (Note 11)	–	(6,000,000)
Reversal of appropriated retained earnings (Note 11)	–	2,000,000
Balance at end of period	**(5,919,448)**	(6,248,637)
	(₱919,448)	(₱1,248,637)

See accompanying Notes to Financial Statements.

SUPER RETAIL VIII CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CASH FLOWS
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱472,151**	(₱9,404,010)
Adjustments for:		
Depreciation and amortization (Note 13)	**206,402**	5,186,311
Interest income (Notes 4, 15 and 16)	**(8,355)**	(95,073)
Interest expense (Note 10)	**1,912**	24,921
Operating income (loss) before working capital changes	**672,110**	(4,287,851)
Retirement cost (Note 17)	–	1,523,575
Decrease (increase) in:		
Receivables	**(5,390,599)**	(6,500,996)
Merchandise inventory	**(17,814,900)**	(1,440,133)
Other current assets	**(1,518,687)**	(447,273)
Due from related parties	–	5,000
Increase (decrease) in:		
Trade and other payables	**13,124,428**	42,055,901
Due to related parties	**(64,448)**	3,307,913
Net cash generated from (used in) operations	**(10,992,096)**	34,216,136
Interest received	**634**	30,910
Retirement benefits paid (Note 17)	–	(1,575,309)
Net cash provided by (used in) operating activities	**(10,991,462)**	32,671,737
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in refundable deposits and other noncurrent assets	**(1,073,201)**	728,544
Acquisitions of property and equipment (Note 7)	–	(927,764)
Net cash used in investing activities	**(1,073,201)**	(199,220)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Notes payable	**(20,667)**	(267,807)
Interest	**(1,912)**	(24,921)
Cash dividends (Note 11)	–	(6,000,000)
Net cash used in financing activities	**(22,579)**	(6,292,728)
NET INCREASE (DECREASE) IN CASH	**(12,087,242)**	26,179,789
CASH AT BEGINNING OF PERIOD	**39,261,871**	13,082,082
CASH AT END OF PERIOD	**₱27,174,629**	₱39,261,871

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Super Retail VIII Corporation (the Company), was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on June 10, 2008 to engage in wholesale and retail of general merchandise. Its registered office address is Unishoppe Building, M.L. Quezon Avenue, Barangay San Isidro, Angono, Rizal.

On June 6, 2011, the Company's individual shareholders entered into a Deed of Assignment with Gant Group of Companies Incorporated (GGCI), wherein they transferred their rights, title and interests in the Company in exchange for shares of GGCI. Consequently, the Company became a wholly-owned subsidiary of GGCI effective June 6, 2011. The transfer of the Company's shares and the corresponding issuance of GGCI shares to the individual shareholders were approved by the SEC on December 2, 2011. GGCI, the Parent Company, is incorporated in the Philippines and is also owned by the previous individual shareholders of the Company.

On May 30, 2012, Puregold Price Club, Inc. (PPCI) acquired 100% equity interest in GGCI from the above individual shareholders. Effective on that date, GGCI became a wholly owned subsidiary of PPCI. PPCI, the ultimate parent company, is engaged in the business of trading goods, such as consumer products, on a wholesale and retail business.

Status of Operations

The Company started commercial operations on July 31, 2008 and operated its first store branch located in Angono, Rizal. The Company then opened its additional branches in Taytay and Marikina in 2009.

The Company has incurred net income of ₱329,189 and net loss of ₱6,605,561 for the month ended July 31, 2012 and June 30, 2012, respectively, and as of July 31, 2012 and June 30, 2012, had a capital deficiency of ₱919,448 and ₱1,248,637, respectively.

To address this, PPCI formulates strategies to improve profitability of the stores by introducing synergy in various operations of the business, leverage on the improved scale of the retail group in negotiating with trade partner suppliers of goods and services and improving facilities and product mix to boost revenue. On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity. As at October 11, 2012, Company is still in the process of securing the approval and filing of necessary documents with the SEC (see Note 21).

The BOD approved the issuance of the Company's financial statements as at July 31, 2012 on October 11, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine peso. All values are rounded to the nearest peso, except when otherwise indicated. The Company's financial statements are prepared in connection with PPCI application for merger of all its wholly-owned subsidiaries.

In relation to the merger as disclosed in Note 1, the amounts presented in the July 31, 2012 statement of comprehensive income, statement of changes in equity, statement of cash flows and the related notes to the Company's financial statements are for one month ended and, accordingly, are not comparable with that of previous period.

Statement of Compliance

The accompanying financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS include statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Financial Reporting Standards Council.

Under the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs), the Company qualified under the definition of an SME. However, the Company elected not to adopt PFRS for SMEs under the exemption provided by the SEC, specifically, being a subsidiary of a parent company reporting under full Philippine Financial Reporting Standards (PFRS). The Company is a subsidiary of PPCI, through GGCI, which prepares consolidated financial statements in compliance with PFRS.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations based on equivalent interpretations which were adopted as of July 1, 2011.

- PAS 24, *Related Party Disclosures (Amendment)*

  The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues.*

  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- Amendment to PFRS 7, *Disclosures - Transfers of Financial Assets*

  The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments to PFRS 7 are affective for annual periods beginning on or after July 1, 2011.

- Philippine Interpretation 14, *Prepayments of a Minimum Funding Requirement (Amendment)*

  The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

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

  This interpretation is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

Improvements to PFRSs
In May 2010, the International Accounting Standards Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

- PFRS 3, *Business Combinations*

  The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- PFRS 7, *Financial Instruments: Disclosures*

  The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, *Presentation of Financial Statements*

  The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*

  The improvement clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investment in Associates*, and PAS 31, *Interest in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier. This interpretation is applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

  The amendment clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Company recognizes a financial asset or financial liability in its balance sheet 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 trade date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are measured at fair value through profit or loss (FVPL).

Determination of Fair Value. The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking 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.

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

"Day 1" Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs

become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit amount.

Classification of Financial Instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are categorized as financial liabilities at FVPL and other financial liabilities. The Company determines the classification at initial recognition and re-evaluates this designation at every financial reporting date, where allowed and appropriate.

As at July 31, 2012 and June 30, 2012, the Company has no financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest (EIR) method less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in the interest income in the statement of comprehensive income. Losses arising from impairment are recognized as provision for doubtful accounts in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

As at July 31, 2012 and June 30, 2012, this category includes cash, trade and other receivables, due from related parties and refundable deposits, which is presented as part of "Refundable deposits and other noncurrent assets" account (see Note 19).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at July 31, 2012 and June 30, 2012, this category includes trade and other payables, due to related parties and notes payable (see Note 19).

Impairment of Financial Assets

The Company assesses at each financial reporting date whether a financial asset or a group of financial assets is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the 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 that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Cash flows from trade and other receivables, due from related parties and refundable deposits are not discounted if the effect of discounting is immaterial. The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of loss experience for assets with credit risk characteristics similar to those in the Company. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

<u>Classification of Financial Instruments between Debt and Equity</u>
A financial instrument is classified as debt if it provided for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own shares.

If the Company does not have the unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Derecognition of Financial Instruments

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 right to receive cash flows from the asset has expired;
- the Company 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 Company has transferred its right 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 Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company'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 Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 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 the statement of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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 financial assets and liabilities are presented at gross amounts in the balance sheet.

Merchandise Inventories
Merchandise inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first out method. Net realizable value is the selling price in the ordinary course of business less cost to sell.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and if the recognition criteria are met.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further depreciation and amortization is charged to current operations.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Office and equipment	3 years
Furniture, fixtures and equipment	3 years
Transportation equipment	5 years
Leasehold improvements	20 years or terms of the lease agreement, whichever is shorter

Computer Software
Computer software, included under "Refundable deposits and other noncurrent assets" account in the balance sheet, is stated at cost, less accumulated amortization and any accumulated impairment in value. It is amortized over its estimated useful life of five years using the straight-line method.

Impairment of Property and Equipment and Computer Software
The Company assesses at each financial reporting date whether there is an indication that its property and equipment and computer software may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. Fair value is the amount obtainable from the sale of an asset in arm's length transaction less the costs of disposal. 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 assessment of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

Retained Earnings. Retained earnings represent the Company's accumulated earnings net of dividends declared.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue shown as "Net Sales" in the statement of comprehensive income is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Net sales are measured at the fair value of the consideration received, net of discounts, returns and value-added taxes.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Revenue is recognized when earned.

Cost of Sales and Expenses

Cost of sales and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost of sales and expenses are recognized in the statement of comprehensive income in the year these are incurred.

Retirement Cost

The Company has an unfunded, defined benefit retirement plan covering substantially all of its regular employees, which follows the minimum requirements set forth by Republic Act (R.A.) No. 7641. The cost of providing benefits under this defined benefit plan is actuarially determined using the projected unit credit valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The amount recognized as defined benefit liability is the aggregate of the present value of the defined benefit obligation at the reporting date, and any actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contribution plan.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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 passage of time is recognized as an interest expense.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;

b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfilment is dependent on a specified asset; or

d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Lease payments under an operating lease are recognized as income or expense in the statement of comprehensive income on a straight-line basis over the term of the lease. For income tax purposes, expenses under operating lease arrangements are treated as deductible expenses in accordance with the terms of the lease agreements.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial 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 financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset 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 value-added tax, except:

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

The net amount of VAT recoverable from or payable to the tax authority is included under "Other current assets" or "Trade and other payables" accounts, respectively, in the balance sheet.

Contingencies

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

Events After the Financial Reporting Date

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

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to July 31, 2012

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

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

  The clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period: (a) the gross amounts of those recognized financial assets and recognized financial liabilities; (b) the amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position; (c) the net amounts presented in the statement of financial position; (d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including: (i) amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and (ii) amounts related to financial collateral (including cash collateral); and (e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013

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

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*

  PFRS 12 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Financial Statement Presentation – Presentations of Items of Other Comprehensive Income*

  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Amendment)*

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

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

  As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (Revised)*

  As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment to PAS 28 becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities*

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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3. **Significant Accounting Judgment, Estimates and Assumptions**

In preparing the financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The Company believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on financial statements.

<u>Judgment</u>
In the process of applying the accounting policies, management has made judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

Evaluating Lease Commitments. The Company has entered into various lease agreements as a lessee and a lessor.

a. Company as a Lessee

   The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership on the lease of various building spaces. The Company accounts for the contracts as operating leases because the lease agreements do not transfer to the Company the ownership over the assets at the end of the lease term and do not provide the Company with a bargain purchase option over the leased assets.

Rent expenses amounted to ₱988,520 and ₱17,948,235 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 13).

b. Company as a Lessor

The Company has entered into subleases for certain areas in its trading facilities. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties. The Company accounts for the contracts as operating leases because the lease agreements do not transfer ownership of the assets to the lessee at the end of the lease term and do not give the lessee a bargain purchase option over leased the assets.

Rent income amounted to ₱25,625 and ₱674,022 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 14).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining Fair Value of Financial Assets and Liabilities. Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the Company's balance sheet, which requires the use of accounting judgment and estimates. Significant components of fair value measurement are determined using verifiable objective evidence (i.e., interest rates, volatility rates), and timing and amount of changes in fair value would differ with the valuation methodology used. Any changes in fair value of these financial assets and liabilities would affect the disclosures made by management (see Note 19).

Estimating Allowance for Doubtful Accounts. The Company reviews its receivables at each financial reporting date to assess whether an allowance for doubtful accounts should be recorded in the balance sheet. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in industry risk, as well as identified structural weaknesses or deterioration in cash flows.

The Company has not made any provision for doubtful accounts for the month ended July 31, 2012 and the year ended June 30, 2012. Trade and other receivables amounted to ₱13,984,871 and ₱8,594,272 as at July 31, 2012 and June 30, 2012, respectively (see Note 5).

Net Realizable Value of Merchandise Inventory. The Company provides allowance for inventory losses whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account, if any, is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

The Company assessed that the net realizable value of inventories is higher than cost hence, the Company did not recognize any losses on write-down of inventories. The carrying values of merchandise inventory amounted to ₱66,405,896 and ₱48,590,996 as at July 31, 2012 and June 30, 2012, respectively (see Note 12).

Estimating Useful Lives of Property and Equipment and Computer Software. The useful life of each item of the Company's property and equipment and computer software is estimated based on the period over which the asset is expected to be available for use. The estimation of the useful life of property and equipment is also based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at least periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limitations on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in these factors and circumstances 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 life of any property and equipment would increase the recorded depreciation and amortization expense and decrease the carrying amount of property and equipment and computer software.

For the month ended July 31, 2012, there was no change in the estimated useful life of the Company's leasehold improvements. For the year ended June 30, 2012, the estimated useful life of the Company's leasehold improvements was changed from three years or term of the lease agreements, whichever is shorter, to 20 years or term of the lease agreement, whichever is shorter, to be consistent with the accounting policies used by PPCI. The effect of the change in estimate was a decrease in annual depreciation expense of ₱1,446,926 for the year ended June 30, 2012. There were no changes in the estimated useful lives of other components of property and equipment and computer software for the month ended July 31, 2012 and the year ended June 30, 2012. The carrying values of property and equipment amounted to ₱4,520,955 and ₱4,698,985 as at July 31, 2012 and June 30, 2012, respectively (see Note 7). The carrying values of computer software amounted to ₱502,171 and ₱530,543 as at July 31, 2012 and June 30, 2012, respectively (see Note 8).

Impairment of Property and Equipment and Computer Software. An impairment review is performed when certain indicators are present. Determining the value of property and equipment and computer software, which requires 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 such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operations of the Company.

While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment indicators were identified during the periods ended July 31, 2012 and June 30, 2012, and as such, no impairment losses were recognized. The net book value of the Company's property and equipment amounted to ₱4,520,955 and ₱4,698,985 as at July 31, 2012 and June 30, 2012, respectively (see Note 7). The net book value of computer software amounted to ₱502,171 and ₱530,543 as at July 31, 2012 and June 30, 2012, respectively (see Note 8).

Estimating Realizability of Deferred Tax Assets. The Company reviews the carrying amounts at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on forecasted taxable profit of the subsequent financial reporting periods. The forecast is based on past results and future expectations on revenues and expenses.

The Company has no unrecognized deferred tax assets as at July 31, 2012 and June 30, 2012. Deferred tax assets recognized in the balance sheets amounted to ₱5,639,619 and ₱5,599,740 as at July 31, 2012 and June 30, 2012, respectively (see Note 18).

Retirement Liability. The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Company's actuary in calculating such amounts. Those assumptions were described in Note 17 and included among others, discount rate and future salary rate increase. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's pension obligations.

Retirement liability amounted to ₱3,466 as at July 31, 2012 and June 30, 2012, (see Note 17). Pension expense for the month ended July 31, 2012 is not significant.

4. Cash

This account consists of:

	July 31	June 30
Cash on hand	**₱3,025,920**	₱895,000
Cash in banks	**24,148,709**	38,366,871
	₱27,174,629	₱39,261,871

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱634 and ₱30,910 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

5. **Trade and other receivables**

This account consists of:

	July 31	June 30
Trade	**₱5,550,551**	₱520,154
Receivables from suppliers (see Note 15)	**6,692,880**	6,128,423
Due from related parties (see Note 15)	**1,741,440**	1,883,712
Nontrade	–	28,788
Advances to suppliers	–	33,195
	₱13,984,871	₱8,594,272

The terms and conditions of the above receivables are as follow:

a. Trade receivables include credit card sales transactions which are noninterest-bearing and are generally collectible within three to five days following the sale. For terms and conditions relating to related party receivables, refer to Note 15.

b. Receivable from suppliers pertain to trade discounts given by manufacturers/suppliers to PPCI for undertaking promotional activities including but not limited to provisions of prime space or preferred locations for product display and in-store advertisements, product bundling and product sampling, which are subject to the happening of an event or the fulfillment of certain conditions as agreed between the manufacturers/suppliers and the PPCI. PPCI allocated portions of the trade discount to the Company which will be applied to subsequent suppliers' invoices.

   As at October 11, 2012, about 65% of the outstanding balance of the receivables from suppliers has been applied against suppliers' invoices.

c. Advances to suppliers are noninterest-bearing and are generally settled through invoice deduction. Nontrade receivables are noninterest bearing and are generally on a 30-day credit term.

There were no provisions for doubtful accounts for the month ended July 31, 2012 and the year ended June 30, 2012.

6. **Other Current Assets**

This account consists of:

	July 31	June 30
Input VAT	**₱1,904,191**	₱253,480
Prepaid rent (see Note 16)	**1,718,387**	1,527,316
Prepaid taxes and licenses	**837,482**	980,207
Others (see Note 15)	–	180,370
	₱4,460,060	₱2,941,373

7. Property and Equipment

This account consists of:

	July 31			
	Furniture, and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance at beginning of period	₱18,072,470	₱6,888,332	₱1,547,190	₱26,507,992
Acquisitions during the period	–	–	–	–
Balance at end of period	18,072,470	6,888,332	1,547,190	₱26,507,992
Accumulated Depreciation and Amortization				
Balance at beginning of period	16,463,145	4,734,606	611,256	21,809,007
Depreciation and amortization (see Note 13)	137,079	15,598	25,353	178,030
Balance at end of period	16,600,224	4,750,204	636,609	21,987,037
Net Book Value	₱1,472,246	₱2,138,128	₱910,581	₱4,520,955

	June 30			
	Furniture, and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱17,429,407	₱6,603,631	₱1,547,190	₱25,580,228
Acquisitions during the year	643,063	284,701	–	927,764
Balance at end of year	18,072,470	6,888,332	1,547,190	26,507,992
Accumulated Depreciation and Amortization				
Balance at beginning of year	12,106,212	4,556,416	300,518	16,963,146
Depreciation and amortization (see Note 13)	4,356,933	178,190	310,738	4,845,861
Balance at end of year	16,463,145	4,734,606	611,256	21,809,007
Net Book Value	₱1,609,325	₱2,153,726	₱935,934	₱4,698,985

Certain transportation equipments with carrying value of ₱582,803 and ₱598,870 as at July 31, 2012 and June 30, 2012, respectively, are covered with a chattel mortgage (see Note 10).

8. Refundable Deposits and Other Noncurrent Assets

This account consists of:

	July 31	June 30
Advances and deposits (see Note 16)	**₱2,132,514**	₱1,051,593
Computer software - net of accumulated amortization of ₱1,200,078 and ₱1,171,706 as at July 31, 2012 and June 30, 2012, respectively	**502,171**	530,543
	₱2,634,685	₱1,582,136

9. Trade and Other Payables

This account consists of:

	July 31	June 30
Trade	**₱103,845,981**	₱100,727,701
Nontrade	**3,801,535**	6,624,360
Due to related parties (see Note 15)	**9,871,300**	502,304
Accrued expenses:		
Rent (see Notes 15 and 16)	**11,785,655**	11,652,725
Others	**4,776,892**	529,703
Withholding taxes payable	**–**	869,691
Others	**50,226**	100,677
	₱134,131,589	₱121,007,161

The terms and conditions of the above payables are as follow:

a. Trade payables, accrued expenses and other payables are non-interest bearing and are generally on a 30-day payment term. For terms and conditions relating to related party payables, refer to Note 15.

b. Nontrade payables consist of payables for repairs and maintenance, utilities, manpower services, and professional fees and are generally settled within one month.

10. Notes Payable

In October 2010, the Company obtained a two-year loan from a local bank amounting to ₱496,000 with a fixed annual interest rate of 9%, payable in monthly installments until November 2012. The note is collateralized by a chattel mortgage on certain transportation equipment with a net book value of ₱359,821 and ₱369,048 as at July 31, 2012 and June 30, 2012, respectively (see Note 7). The carrying amount of the loan amounted to ₱41,320 and ₱61,987 as at July 31, 2012 and June 30, 2012, respectively.

In August 2009, the Company obtained a two-year loan from a local bank aggregating ₱594,000 with a fixed annual interest rate of 10%, payable in monthly installments until July 2011. The note is collateralized by a chattel mortgage on certain transportation equipment with a net book value of ₱222,982 and ₱229,822 as at July 31, 2012 and June 30, 2012, respectively (see Note 7). The loan was settled fully as at June 30, 2012.

Total interest expense charged to operations amounted to ₱1,912 and ₱24,921 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

11. Equity

On September 6, 2010, the Company's BOD approved the appropriation of ₱2,000,000 of its retained earnings for future capital expansion.

On October 7, 2011, the Company's BOD approved the reversal of the appropriated retained earnings amounting to ₱2,000,000. On that same date, the BOD approved the declaration of cash dividends on its capital stock amounting to ₱6,000,000. The cash dividends of ₱1,000,000, ₱3,000,000 and ₱2,000,000 were paid on March 20, 2012, January 12, 2012 and November 2, 2011, respectively.

12. Cost of Sales

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Merchandise inventory at beginning of period	**₱48,590,996**	₱47,150,863
Purchases during the period - net of purchase returns, allowances and discounts (see Note 15)	**71,541,937**	853,227,300
Cost of goods available for sale	**120,132,933**	900,378,163
Merchandise inventory at end of period	**(66,405,896)**	(48,590,996)
	₱53,727,037	₱851,787,167

13. Operating Expenses

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Manpower services	**₱1,315,397**	₱22,500,792
Utilities (see Note 16)	**1,284,597**	13,839,795
Rent (see Note 16)	**988,520**	17,948,235
Security	**570,448**	6,655,523
Taxes and licenses	**494,042**	6,102,113
Salaries and benefits (see Notes 15 and 17)	**330,181**	6,675,370
Supplies	**312,619**	4,483,747
Depreciation and amortization (see Notes 7 and 8)	**206,402**	5,186,311
Insurance	**141,777**	77,504
Repairs and maintenance	–	1,593,110
Transportation and travel	–	730,686
Representation and entertainment	–	546,335
Professional fees	–	524,304
Advertising	–	231,031
Others (see Note 15)	**119,292**	1,861,227
	₱5,763,275	₱88,956,083

14. Other Income

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Rent (see Note 16)	**₱25,625**	₱674,022
Display allowances	–	653,552
Marketing support	–	33,929
Others	**20,919**	834,165
	₱46,544	₱2,195,668

Display allowances pertain to income earned by the Company for displaying the products of certain suppliers in the prime areas of the trading facilities.

15. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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 common significant influence.

Significant transactions with related parties include the following:

a. The Company, in the normal conduct of the business, sells and purchases merchandise inventories from and to its related parties. Outstanding balances from these transactions are recorded as part of "Trade and other receivables" and "Trade and other payables" accounts in the balance sheet. The following table summarizes these transactions with related parties for the month ended July 31, 2012 and the year ended June 30, 2012:

Related Parties	Period	Sales	Amounts Owed by Related Party (see Note 5)	Purchases (see Note 12)	Amounts Owed to Related Party (see Note 9)
PPCI	**July 31**	**₱–**	**₱–**	**₱9,368,998**	**₱9,368,996**
	June 30	–	–	–	–
S-CV Corporation (SCV)	**July 31**	**–**	**1,494,556**	**–**	**–**
	June 30	4,765,669	1,610,164	–	–
Gant Diamond III Corporation (GDIII)	**July 31**	**–**	**–**	**–**	**–**
	June 30	269,258	–	23,159	–
Gant Diamond Corporation (GDC)	**July 31**	**–**	**–**	**–**	**–**
	June 30	326,086	26,664	336,053	–
Superagora X Corporation (SAX)	**July 31**	**–**	**–**	**–**	**374,667**
	June 30	79,897	–	1,058,605	374,667
Super Retail XV Corporation (SRXV)	**July 31**	**–**	**246,884**	**–**	**127,637**
	June 30	578,857	246,884	1,395,105	127,637
	July 31	**₱–**	**₱1,741,440**	**₱9,368,998**	**₱9,871,300**
	June 30	6,019,767	1,883,712	2,812,922	502,304

b. In the normal course of business, the Company obtains from and grants cash advances to its parent company and other related parties which are noninterest-bearing and are regularly settled within one year. Total advances to related parties, which is presented under "Due from related parties" account in the balance sheet, amounted to ₱13,300,000 as at July 31, 2012 and June 30, 2012. Total advances from PPCI and other related parties, which is presented under "Due to related parties" account in the balance sheet, amounted to ₱3,843,465 and ₱3,907,913 as at July 31, 2012 and June 30, 2012, respectively.

c. PPCI allocated certain amount of trade discounts to the Company amounting to ₱564,457 and ₱6,128,423 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively. These trade discounts were given by manufactures/suppliers to PPCI for fulfilling certain conditions and/or the happening of certain events as agreed between the manufacturers/suppliers and the PPCI (see Note 5). In June 2011, the Company entered into a service agreement for one year and one month with Lynxserv Corporation (LC) wherein the latter will provide transportation and other related services for the deliveries of goods of the Company to and from its branches. The Company paid LC a refundable deposit amounting to ₱85,000 as security for its observance and faithful compliance with the terms and conditions of the agreement (see Note 6). For the month ended July 31, 2012, there is no service fees incurred. Total service fee, which is presented as part of the "Others" under "Operating expenses" account in the statement of comprehensive income, amounted to ₱935,000 for the year ended June 30, 2012 (see Note 13).

The Company, GDC, GDIII, SAX, SRXV, SCV and LC are subsidiaries of GGCI.

Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances of transactions with related parties at year-end are unsecured, noninterest-bearing, settlement occurs in cash and receivable/payable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the month ended July 31, 2012 and the year ended June 30, 2012, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company

Starting May 30, 2012, the key management personnel of the Company and PPCI are the same. The compensation of key management personnel is shouldered by PPCI. Total compensation of key management personnel amounted to ₱490,738 for the year ended June 30, 2012 (see Note 13).

16. Lease Agreements

The Company as a Lessee

a. The Company has entered into various lease agreements with third parties. Details are as follows:

- In 2008, the Company entered into a contract of lease covering the area where the trading facilities of its branch in Angono, Rizal is located for a period of 15 years starting May 19, 2008 with an option to renew. The fixed monthly rental is ₱117,634 for the first year and ₱146,155 for the second and third years and is subject to escalation rates of 5% from fourth to eighth year, 10% from ninth to thirteenth year of the lease term and 5% from the fourteenth until the end of the lease term.

- In 2009, the Company entered into a contract of lease covering the area where the trading facilities of its branch in Marikina City is located for a period of 15 years starting August 1, 2009 with an option to renew. The fixed monthly rental is ₱338,770 for the first year, ₱341,601 for the second year and ₱361,654 for the third, fourth and fifth years and is subject to an escalation rate of 5% for the remaining years of the lease term.

The Company paid the lessors refundable deposits amounting to ₱235,268 and ₱1,355,078 for the lease in Angono and Marikina, respectively, as security for its observance and faithful compliance with the terms and conditions of the agreement. The Company also paid the lessor advance rentals amounting to ₱235,268 for the trading facilities in Angono which will be applied as payments for the last two months of the lease term, while the advance rental paid for Marikina branch amounting to ₱363,483 was applied to the first rental payment in January 2010. This is presented under "Refundable deposits and other noncurrent assets" account in the balance sheets (see Note 8).

The deposit was discounted to its present value using a pre-tax risk-free interest rate based on Philippine Government Zero Coupon Yield ranging from 6% to 8% as at June 30, 2011. The deposit is carried at amortized cost using the EIR method. The excess of the principal amount of the deposit over its fair value is accounted for as prepaid rent, presented as part of "Other current assets" account in the balance sheets, and is amortized over the lease term on a straight-line basis. Interest on the deposit, meanwhile, is accounted for using the EIR method, such that as the deposit is accreted using the EIR method and prepaid rent is amortized using the straight-line method, there is a profit or loss effect during the period. Accretion of deposit, which was included as part of "Interest income" account in the statements of comprehensive income, amounted to ₱5,141 and ₱57,245 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

Accrued rent, included under "Trade and other payables" account in the balance sheets, representing the difference in accounting for rent expense under the straight-line computation and actual payment per contract relating to the above leases, amounted to ₱3,534,689 and ₱3,518,432 as at July 31, 2012 and June 30, 2012, respectively (see Note 9).

Rent expense charged to operations from the above agreements amounted to ₱521,444 and ₱6,363,965, respectively (see Note 13).

As at July 31, 2012 and June 30, 2012, the future minimum rental payments relating to the lease agreements above are as follows:

Within one year	₱5,974,746
After one year but not more than five years	25,157,461
More than five years	41,766,855
	₱72,899,062

b. The Company has entered into various lease agreements with KC Realty and Development Corporation (KC). Details are as follows:

- In March 2009, the Company has entered into a contract of lease with KC for a period of 10 years until March 2019 for the building where the trading facilities of its branch in Taytay is located for a monthly rent of ₱240,000.

The lease contract was amended on February 1, 2012 to extend the term of the lease up to March 2024 and to increase the monthly rental to ₱347,874 subject to annual escalation of 10% commencing on March 2014. Rental deposits paid, presented as part of "Refundable deposits and other noncurrent assets" account in the balance sheets, amounted to ₱933,900 as at July 31, 2012 and June 30, 2012 (see Note 8).

The deposits were discounted to its present value using a pre-tax risk-free interest rate based on Philippine Government Zero Coupon Yield. The deposits were discounted using the effective interest rate of 9% as at June 30, 2011. The deposit is carried at amortized cost using the EIR method. The excess of the principal amount of the deposit over its fair value is accounted for as prepaid rent, presented as part of "Other current assets" account in the balance sheets, and is amortized over the lease term on a straight-line basis. Interest on the deposit, meanwhile, is accounted for using the EIR method such that as the deposit and prepaid rent are amortized using the EIR method and the straight-line method, respectively, there is a profit or loss effect during the period. Accretion of deposit, which was included as part of "Interest income" account in the statements of comprehensive income, amounted to ₱2,580 and ₱6,918 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

Accrued rent, included under "Trade and other payables" account in the balance sheets, representing the difference in accounting for rent expense under the straight-line computation and actual payment per contract for all lease agreements amounted to ₱8,250,966 and ₱8,134,293 as at July 31, 2012 and June 30, 2012, respectively (see Note 9).

Rent expense charged to operations amounted to ₱431,076 and ₱11,152,270 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 13). As at July 31, 2012 and June 30, 2012, the future minimum lease payments are as follows:

	July 31	June 30
Within one year	**₱3,882,522**	₱3,851,462
After one year but not more than five years	**19,706,977**	19,571,149
More than five years	**43,792,257**	44,102,859
	₱67,381,756	₱67,525,470

- The Company also entered into a contract of lease with KC for the lease of office space for a period of one year starting June 1, 2010, with an option to renew every year. The fixed monthly rental amounted to nil and ₱36,000 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively. Rent expense charged to operations amounted to ₱36,000 and ₱432,000 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 13).

Related to the leased office space, utilities expenses charged by KC to the Company amounted to ₱74,103 and ₱908,289 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 13).

GGCI and KC are under common shareholders until May 30, 2012.

The Company as a Lessor
The Company subleases certain spaces of its trading facilities to various third parties, renewable annually. Rent income under "Other income" account in the statement of comprehensive income amounted to ₱25,625 and ₱674,022 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 14).

17. Retirement Liability

The Company has an unfunded defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on employees' salaries and length of service; and are actuarially computed using the projected unit credit method.

The following tables summarize the components of retirement cost recognized in the statements of comprehensive income and retirement liability recognized in the balance sheets.

	July 31 (One Month - see Note 2)	June 30 (One Year)
Retirement cost (presented under "Salaries, and benefits" account) (see Note 13):		
Current service cost	₱–	₱3,925
Interest cost	–	429
Net actuarial gain recognized during the year	–	(888)
Benefits paid	–	1,520,109
	₱–	₱1,523,575
Retirement liability:		
Defined benefit obligation	**₱3,466**	₱3,466
Unrecognized actuarial loss	–	–
	₱3,466	₱3,466
Present value of defined benefit obligation:		
Balance at beginning of period	₱3,466	₱78,900
Current service cost	–	3,925
Interest cost	–	429
Net actuarial gain recognized during the year	–	(888)
Actuarial (gain) loss on obligation	–	(23,700)
Benefits paid	–	(55,200)
Balance at end of period	**₱3,466**	₱3,466

	July 31 (One Month - see Note 2)	June 30 (One Year)
Unrecognized cumulative actuarial loss:		
Unrecognized actuarial loss at beginning of period	₱–	₱23,700
Actuarial (gain) loss on obligation	–	(23,700)
Unrecognized actuarial loss at end of period	₱–	₱–

The principal assumptions used in determining the defined benefits obligation of the Company are shown below:

	July 31	June 30
Discount rate	**9.33%**	9.33%
Future salary rate increases	**5.00%**	5.00%

The amounts for the current and previous periods are as follows:

	July 31	June 30
Defined benefit obligation	**₱3,466**	₱3,466
Change in actuarial assumptions	–	–
Experience adjustment on defined benefit obligation	–	–

On May 30, 2012, the Company made an early retirement payout to all its regular employees as a result of the change in management brought by PPCI's acquisition of GGCI's equity interest in the Company (see Note 1). Additional retirement benefit incurred arising from this transaction amounted to ₱1,520,109 for the year ended June 30, 2012.

18. **Income Tax**

Deferred Tax

As at July 31, 2012 and June 30, 2012, the components of the Company's deferred tax assets are as follows:

	July 31	June 30
Accrued rent	**₱3,535,696**	₱3,495,817
Excess of MCIT over RCIT	**1,589,638**	1,589,638
NOLCO	**513,245**	513,245
Retirement liability	**1,040**	1,040
	₱5,639,619	₱5,599,740

Current Tax

The provision for current income tax for the month ended July 31, 2012 represents RCIT. The provision for current income tax for the year ended June 30, 2012 represents MCIT and can be claimed as tax credit against RCIT until 2015.

The Company has the following NOLCO which can be deducted from future taxable income:

Date Incurred	Expiry Date	Amount
June 30, 2011	June 30, 2014	₱663,127
June 30, 2012	June 30, 2015	1,047,688
		₱1,710,815

The reconciliation between the provision for (benefit from) income tax computed at the statutory tax rate and the provision for (benefit from) income tax shown in the statements of comprehensive income is summarized as follows:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Provision for (benefit from) income tax computed at statutory tax rate	**₱141,645**	(₱2,821,203)
Income tax effects of:		
Interest income already subjected to final tax	**(190)**	(9,273)
Nondeductible interest expense	**495**	3,651
Others	**1,012**	28,376
	₱142,962	(₱2,798,449)

19. Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as at July 31, 2012 and June 30, 2012.

	July 31		June 30	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash	**₱27,174,629**	**₱27,174,629**	₱39,261,871	₱39,261,871
Trade and other receivables[(a)]	**7,291,991**	**7,291,991**	2,431,903	2,431,903
Due from related parties	**13,300,000**	**13,300,000**	13,300,000	13,300,000
Other current assets[(b)]	**152,200**	**152,200**	152,200	152,200
Refundable deposits (presented as part of "Refundable deposits and other noncurrent assets" account)	**1,048,221**	**1,435,044**	1,051,593	1,435,044
	₱48,967,041	**₱49,353,864**	₱56,197,567	₱56,581,018
Financial Liabilities				
Other financial liabilities:				
Trade and other payables[(c)]	**₱122,345,934**	**₱122,345,934**	₱108,484,745	₱108,484,745
Due to related parties	**3,843,465**	**3,843,465**	3,907,913	3,907,913
Notes payable	**41,320**	**41,320**	61,987	61,987
	₱126,230,719	**₱126,230,719**	₱112,454,645	₱112,454,645

[(a)] *Excludes receivables from suppliers and advances to suppliers, which are expected to be settled through invoice deduction, totaling to ₱6,692,880 and ₱6,162,369 as at July 31, 2012 and June 30, 2012, respectively.*
[(b)] *Pertains to security deposits that are refundable within one year.*
[(c)] *Excludes accrued rent computed under PAS 17, taxes payable and statutory liabilities totaling to ₱11,785,655 and ₱12,522,416 as at July 31, 2012 and June 30, 2012, respectively.*

Carrying values of cash, trade and other receivables, due from related parties, other current assets, trade and other payables, due to related parties and notes payable approximate their fair values due to the short-term nature of the transactions.

As at July 31, 2012, the movement of the fair value of refundable deposits is not significant. As at June 30, 2012, fair value of refundable deposits is the estimated future cash flows, discounted to 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. Discount rates used range from 6% to 8% for the periods ended July 31, 2012 and June 30, 2012, based on Philippine Government Zero Coupon Yield. The fair value reflects the current market assessment of the time value of money and the risk specific to the asset.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at July 31, 2012 and June 30, 2012, the Company has no financial asset and liability carried at fair value.

20. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, due from related parties, due to related parties and notes payable. The Company has various other financial assets and liabilities such as trade and other receivables, refundable deposits and trade and other payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing these risks as summarized below:

Credit Risk
Credit risk is the risk that the Company will incur a loss arising from its customers, students or counterparties that fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk that the Company is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

The Company trades only with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risks arising from cash in banks, the Company's exposure to credit risks arises from default of the counterparty, with a maximum exposure that is equal to the carrying amount of cash in banks less insurance.

The Company has no significant concentrations of credit risk.

SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Super Retail VIII Corporation
Unishoppe Building, M.L. Quezon Avenue
Barangay San Isidro, Angono, Rizal

We have audited the financial statements of Super Retail VIII Corporation (a wholly owned subsidiary of Gant Group of Companies Incorporated) for the month ended July 31, 2012, on which we have rendered the attached report dated October 11, 2012.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the above Company has a sole stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174823, January 2, 2012, Makati City

October 11, 2012

COVER SHEET

CS200913032

SEC Registration Number

SUPERAGORA X CORPORATION (A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

(Company's Full Name)

3903 Cagayan Valley Road, Tabang, Plaridel, Bulacan

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

Leonardo B. Dayao	(02) 526-5852
(Contact Person)	(Company Telephone Number)

07	31	AAFS	10	29
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

–	–
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

6	₱–	₱–
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Superagora X Corporation** is responsible for the preparation and fair presentation of the financial statements for the period ended July 31, 2012 and for the year ended June 30, 2012, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

LEONARDO B. DAYAO
Chairman of the Board

IRAIDA B. DE GUZMAN
President

DENISE MARIA D. CAROLINO
Corporate Financial Officer

Signed this 11th day of October 2012

SUBSCRIBED AND SWORN to before me, this OCT 16 2012 day of ________ 2012 at MANILA affiants exhibited to me their Tax Identification Numbers Leonardo B. Dayao 135-546-815, Iraida B. De Guzman 156-419-202 and Denise Maria D. Carolino 136-576-655.

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Page No. 90
Book No. 61
Series of 2012 ________

ATTY. RONALDO SEGUNDINO C. CHING
NOTARY PUBLIC - CITY OF MANILA
ADMIN. [illegible] DEC. 31, 201[illegible]
NO. 945 [illegible] MANILA
IBP NO. [illegible] 2011 MANILA
PTR NO. [illegible] 9 - 2011 MANILA
MCLE [illegible] 111-0016300

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Ernst & Young

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January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Superagora X Corporation
3903 Cagayan Valley Road
Tabang, Plaridel, Bulacan

Report on the Financial Statements

We have audited the accompanying financial statements of Superagora X Corporation (a wholly owned subsidiary of Gant Group of Companies Incorporated), which comprise the balance sheets as at July 31, 2012 and June 30, 2012, and the statements of comprehensive income, statements of changes in capital deficiency and statements of cash flows for the month ended July 31, 2012 and the year then ended June 30, 2012, 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 auditor's 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 opinion.

SGV & Co
Ernst & Young

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Superagora X Corporation as at July 31, 2012 and June 30, 2012 and its financial performance and its cash flows for the periods then ended in accordance with Philippines Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
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BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174823, January 2, 2012, Makati City

October 11, 2012

SUPERAGORA X CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

BALANCE SHEETS
JULY 31, 2012 AND JUNE 30, 2012

	July 31	June 30
ASSETS		
Current Assets		
Cash (Notes 4, 17 and 18)	**₱16,282,116**	₱16,723,892
Trade and other receivables (Notes 5, 13, 17 and 18)	**11,523,061**	8,599,783
Merchandise inventory (Note 10)	**47,815,699**	40,589,188
Due from related parties (Notes 13, 17 and 18)	**1,600,000**	1,600,000
Other current assets (Notes 6 and 13)	**9,073,875**	7,649,700
Total Current Assets	**86,294,751**	75,162,563
Noncurrent Assets		
Property and equipment (Note 7)	**16,691,415**	17,404,511
Deferred tax assets (Note 16)	**7,038,920**	6,841,397
Refundable deposits and other noncurrent assets (Notes 8, 13, 14, 17 and 18)	**3,101,736**	3,059,204
Total Noncurrent Assets	**26,832,071**	27,305,112
	₱113,126,822	₱102,467,675
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Trade and other payables (Notes 9, 13, 17 and 18)	**₱93,764,474**	₱82,909,799
Due to related parties (Notes 13, 17 and 18)	**30,478,733**	30,478,733
Income tax payable (Note 16)	**80,308**	–
Total Current Liabilities	**124,323,515**	113,388,532
Noncurrent Liability		
Retirement liability (Note 15)	**790**	790
Capital Deficiency		
Capital stock	**5,000,000**	5,000,000
Deficit	**(16,197,483)**	(15,921,647)
Net Capital Deficiency	**(11,197,483)**	(10,921,647)
	₱113,126,822	₱102,467,675

See accompanying Notes to Financial Statements.

SUPERAGORA X CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR THEN ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CAPITAL STOCK - ₱100 par value		
Authorized - 50,000 shares		
Issued and outstanding - 50,000 shares	**₱5,000,000**	₱5,000,000
DEFICIT		
Balance at beginning of period	**(15,921,647)**	(7,224,032)
Total comprehensive loss	**(275,836)**	(8,697,615)
Balance at end of period	**(16,197,483)**	(15,921,647)
	(₱11,197,483)	(₱10,921,647)

See accompanying Notes to Financial Statements

SUPERAGORA X CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CASH FLOWS
FOR THE MONTH ENDED JULY 31, 2012
AND THE YEAR THEN ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱393,051)	(₱12,425,535)
Adjustments for:		
Depreciation and amortization (Notes 7, 8, and 11)	748,942	8,952,383
Interest income (Notes 4 and 14)	(4,838)	(59,616)
Operating income (loss) before working capital changes	351,053	(3,532,768)
Retirement cost (Note 15)	–	482,953
Decrease (increase) in:		
Trade and other receivables	(2,923,278)	(7,731,708)
Merchandise inventory	(7,226,511)	1,504,774
Due from related parties	–	163,237
Other current assets	(1,424,175)	438,211
Increase in:		
Trade and other payables	10,854,675	16,147,361
Due to related parties	–	946,682
Net cash generated from operations	(368,236)	8,418,742
Retirement benefits paid (Note 15)	–	(488,663)
Interest received (Note 4)	259	32,981
Net cash provided by (used in) operating activities	(367,977)	7,963,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 7)	(6,800)	(1,449,547)
Decrease (increase) in refundable deposits and other noncurrent assets	(66,999)	1,246,938
Net cash used in investing activities	(73,799)	(202,609)
NET INCREASE (DECREASE) IN CASH	(441,776)	7,760,451
CASH AT BEGINNING OF PERIOD	16,723,892	8,963,441
CASH AT END OF PERIOD	₱16,282,116	₱16,723,892

See accompanying Notes to Financial Statements.

1. Corporate Information

Superagora X Corporation (the Company), was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 17, 2009 to engage in wholesale and retail of general merchandise.

On June 6, 2011, the Company's individual shareholders entered into a Deed of Assignment with Gant Group of Companies Incorporated (GGCI), wherein they transferred their rights, title and interests in the Company in exchange for shares of GGCI. Consequently, the Company became a wholly-owned subsidiary of GGCI effective June 6, 2011. The transfer of the Company's shares and the corresponding issuance of GGCI shares to the individual shareholders were approved by the SEC on December 2, 2011. GGCI, the Parent Company, is incorporated in the Philippines and is also owned by the previous individual shareholders of the Company.

On May 30, 2012, Puregold Price Club, Inc. (PPCI) acquired 100% equity interest in GGCI from the above individual shareholders. Effective on that date, GGCI become a wholly owned subsidiary of PPCI. PPCI, the ultimate parent company, is engaged in the business of trading goods such as consumer products on a wholesale and retail business.

Status of Operations
The Company started commercial operations on December 17, 2009 and operated its first store branch located in Las Piñas. The Company then opened its two new branches in Plaridel, Bulacan and Taguig in September and December 2010, respectively. The Company expects to improve the results of its operations in the succeeding years with the full commercial operations of its three store branches.

The Company has been continuously incurring net losses since it started its commercial operations in December 2009. The net losses of ₱275,836 and ₱8,697,615 for the month ended July 31, 2012 and year ended June 30, 2012, respectively, and as of that dates, had a capital deficiency of ₱11,197,483 and ₱10,921,647, respectively.

To address this, PPCI formulates strategies to improve profitability of the stores by introducing synergy in various operations of the business, leverage on the improved scale of the retail group in negotiating with trade partner suppliers of goods and services and improving facilities and product mix to boost revenue. On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity. As at October 11, 2012, Company is still in the process of securing the approval and filing of necessary documents with the SEC (see Note 19).

The BOD approved the issuance of the Company's financial statements as at and for the month ended July 31, 2012 on October 11, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine peso. All values are rounded to the nearest peso, except when otherwise indicated. The Company's financial statements are prepared in connection with PPCI application for merger of all its wholly-owned subsidiaries.

In relation to the merger as disclosed in Note 1, the amounts presented in the July 31, 2012 statement of comprehensive income, statement of changes in equity, statement of cash flows and the related notes to the Company's financial statements are for one month ended and, accordingly, are not comparable with that of previous period.

Statement of Compliance
The financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS include statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Financial Reporting Standards Council.

Under the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs), the Company qualified under the definition of an SME. However, the Company elected not to adopt PFRS for SMEs under the exemption provided by the SEC, specifically, being a subsidiary of a parent company reporting under full PFRS. PPCI prepares consolidated financial statements in compliance with PFRS.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations based on equivalent interpretations which were adopted as of July 1, 2011.

- PAS 24, *Related Party Disclosures (Amendment)*

  The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues.*

  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- Philippine Interpretation 14, *Prepayments of a Minimum Funding Requirement (Amendment)*

  The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

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

  This interpretation is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

Improvements to PFRSs
In May 2010, the International Accounting Standards Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

- PFRS 3, *Business Combinations*

  The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- PFRS 7, *Financial Instruments: Disclosures*

  The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- Amendment to PFRS 7, *Disclosures - Transfers of Financial Assets*

  The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments to PFRS 7 are affective for annual periods beginning on or after July 1, 2011.

- PAS 1, *Presentation of Financial Statements*

  The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*

  The improvement clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates,* PAS 28, *Investment in Associates,* and PAS 31, *Interest in Joint Ventures,* apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier. This interpretation is applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

  The amendment clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Company recognizes a financial asset or financial liability in its statement 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 trade date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are measured at fair value through profit or loss (FVPL).

Determination of Fair Value. The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking 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.

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

"Day 1" Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs

become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit amount.

Classification of Financial Instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are categorized as financial liabilities at FVPL and other financial liabilities. The Company determines the classification at initial recognition and re-evaluates this designation at every financial reporting date, where allowed and appropriate.

As at July 31, 2012 and June 30, 2012, the Company has no financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest (EIR) method less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in the interest income in the statement of comprehensive income. Losses arising from impairment are recognized as provision for doubtful accounts in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

As at July 31, 2012 and June 30, 2012, this category includes cash, trade and other receivables, due from related parties, other current assets and refundable deposits which is presented as part of the "Refundable deposits and other noncurrent assets" account (see Note 17).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at July 31, 2012 and June 30, 2012, this category includes trade and other payables and due to related parties (see Note 17).

Impairment of Financial Assets

The Company assesses at each financial reporting date whether a financial asset or a group of financial assets is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the 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 that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). Cash flows from trade and other receivables, due from related parties and refundable deposits are not discounted if the effect of discounting is immaterial. The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of loss experience for assets with credit risk characteristics similar to those in the Company. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Classification of Financial Instruments between Debt and Equity
A financial instrument is classified as debt if it provided for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own shares.

If the Company does not have the unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Derecognition of Financial Instruments

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 right to receive cash flows from the asset has expired;
- the Company 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 Company has transferred its right 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 Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company'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 Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 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 the statement of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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 financial assets and liabilities are presented at gross amounts in the balance sheet.

Merchandise Inventory
Merchandise inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first out method. Net realizable value is the selling price in the ordinary course of business less cost to sell.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and if the recognition criteria are met.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Office and equipment	3 years
Furniture and equipment	3 years
Leasehold improvements	20 years or terms of the lease agreement, whichever is shorter
Transportation equipment	5 years

Computer Software

Computer software, included under "Refundable deposits and other noncurrent assets" account in the balance sheet, is stated at less cost, less accumulated amortization and any accumulated impairment in value. It is amortized over its estimated life of five years using the straight-line method.

Impairment of Property and Equipment and Computer Software

The Company assesses at each financial reporting date whether there is an indication that its property and equipment and computer software may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. Fair value is the amount obtainable from the sale of an asset in arm's length transaction less the costs of disposal. 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 assessment of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued

Deficit. Deficit represents the cumulative balance of net loss of the Company.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue shown as "Net Sales" in the statement of comprehensive income is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Net sales are measured at the fair value of the consideration received, net of discounts, returns and value-added taxes.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Revenue is recognized when earned.

Cost of Sales and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost of sales and expenses are recognized in the statement of comprehensive income in the year these are incurred.

Retirement Cost

The Company has an unfunded, defined benefit retirement plan covering substantially all of its regular employees, which follows the minimum requirements set forth by Republic Act (R.A.) No. 7641. The cost of providing benefits under this defined benefit plan is actuarially determined using the projected unit credit valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The amount recognized as defined benefit liability is the aggregate of the present value of the defined benefit obligation at the reporting date, and any actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contribution plan.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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 passage of time is recognized as an interest expense.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;

b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfilment is dependent on a specified asset; or

d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Lease. Lease payments under an operating lease are recognized as income or expense in the statement of comprehensive income on a straight-line basis over the term of the lease. For income tax purposes, expenses under operating lease arrangements are treated as deductible expenses in accordance with the terms of the lease agreements.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, can be utilized. The carrying amount of deferred tax assets is reviewed at each financial 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 financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset 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 VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT 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 VAT included.

The net amount of VAT recoverable from or payable to the tax authority is included under "Other current assets" or "Trade and other payables" accounts, respectively, in the balance sheet.

Contingencies

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

Events After the Reporting Date

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

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to July 31, 2012

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

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

  The clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period: (a) the gross amounts of those recognized financial assets and recognized financial liabilities; (b) the amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position; (c) the net amounts presented in the statement of financial position; (d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including: (i) amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and (ii) amounts related to financial collateral (including cash collateral); and (e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013

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

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*

  PFRS 12 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Financial Statement Presentation – Presentations of Items of Other Comprehensive Income*

  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 19, Employee Benefits (Amendment)

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

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

  As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (Revised)*

  As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures,* and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment to PAS 28 becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities*

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

3. Management's Use of Judgment, Estimates and Assumptions

In preparing the financial statements, management has made its best judgment, estimates and assumptions of certain amounts, giving due consideration to materiality. The Company believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on financial statements.

Judgment
In the process of applying the accounting policies, management has made judgment, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

Evaluating Lease Commitments. The Company has entered into various lease agreements as a lessee and a lessor.

a. Company as a Lessee

   The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership on the lease of various building spaces. The Company accounts for the contracts as operating leases because the lease agreements do not transfer to the Company the ownership over the assets at the end of the lease term and do not provide the Company with a bargain purchase option over the leased assets.

Rent expenses amounted to ₱1,836,453 and ₱20,506,289 for the month ended July 31, 2012 and for the year ended June 30, 2012, respectively (see Note 11).

b. Company as a Lessor

The Company has entered into subleases for certain areas in its trading facilities. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties. The Company accounts for the contracts as operating leases because the lease agreements do not transfer ownership of the assets to the lessee at the end of the lease term and do not give the lessee a bargain purchase option over leased the assets.

Rent income amounted to ₱58,896 and ₱1,342,571 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining Fair Value of Financial Assets and Liabilities. Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the Company's balance sheet, which requires the use of accounting judgment and estimates. Significant components of fair value measurement are determined using verifiable objective evidence (i.e., interest rates, volatility rates), and timing and amount of changes in fair value would differ with the valuation methodology used. Any changes in fair value of these financial assets and liabilities would affect the disclosures made by management (see Note 17).

Estimating Allowance for Doubtful Accounts. The Company reviews its receivables at each financial reporting date to assess whether an allowance for doubtful accounts should be recorded in the balance sheet. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in industry risk, as well as identified structural weaknesses or deterioration in cash flows.

The Company has not made any provision for doubtful accounts for the month ended July 31, 2012 and the year ended June 30, 2012. As at July 31, 2012 and June 30, 2012 trade and other receivables amounted to ₱11,523,061 and ₱8,599,783, respectively (see Note 5).

Net Realizable Value of Merchandise Inventory. The Company provides allowance for inventory losses whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account, if any, is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

The Company assessed that the net realizable value of inventories is higher than cost hence, the Company did not recognize any losses on write-down of inventories. The carrying values of merchandise inventory amounted to ₱47,815,699 and ₱40,589,188 as at July 31, 2012 and June 30, 2012, respectively (see Note 10).

Estimating Useful Lives of Property and Equipment and Computer Software. The useful life of each item of the Company's property and equipment and computer software is estimated based on the period over which the asset is expected to be available for use. The estimation of the useful life of property and equipment is also based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at least periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limitations on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in these factors and circumstances 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 life of any property and equipment and computer software would increase the recorded depreciation and amortization expense and decrease the carrying amount of property and equipment and computer software.

For the year ended June 30, 2012, the estimated useful life of the Company's leasehold improvements was changed from three years or term of the lease agreements, whichever is shorter, to 20 years or term of the lease agreement, whichever is shorter, to be consistent with the accounting policies used by PPCI. The effect of the change in estimate was a decrease in annual depreciation expense of ₱3,164,594 for the year ended June 30, 2012. There were no changes in the estimated useful lives of the other property and equipment and computer software for the month ended July 31, 2012 and the year ended June 30, 2012. The carrying values of property and equipment amounted to ₱16,691,415 and ₱17,404,511 as at July 31, 2012 and June 30, 2012, respectively (see Note 7). The carrying values of computer software amounted to ₱803,928 and ₱832,974 as at July 31, 2012 and June 30, 2012, respectively (see Note 8).

Impairment of Property and Equipment and Computer Software. An impairment review is performed when certain indicators are present. Determining the value of property and equipment and computer software, which requires 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 such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operations of the Company.

While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment indicators were identified during the month ended July 31, 2012 and year ended June 30, 2012, and as such, no impairment losses were recognized. The net book value of the Company's property and equipment amounted to ₱16,691,415 and ₱17,404,511 as of July 31, 2012 and June 30, 2012, respectively (see Note 7). The net book value of computer software amounted to ₱803,928 and ₱832,974 as of July 31, 2012 and June 30, 2012, respectively (see Notes 8).

Impairment of Advances and Deposits. Based on management's assessment in 2010, the Company recognized a provision for impairment loss for the full amount of rental deposits and advance rental paid to the lessor which amounted to ₱1,891,845 as at June 30, 2010. No additional provision was made in 2012 and 2011 (see Note 14).

Estimating Realizability of Deferred Tax Assets. The Company reviews the carrying amounts at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on forecasted taxable profit of the subsequent financial reporting periods. The forecast is based on past results and future expectations on revenues and expenses.

The Company has no unrecognized deferred tax assets as at July 31, 2012 and June 30, 2012. Deferred tax assets recognized in the balance sheets amounted to ₱7,038,920 and ₱6,841,397 as at July 31, 2012 and June 30, 2012, respectively (see Note 16).

Retirement Liability. The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Company's actuary in calculating such amounts. Those assumptions were described in Note 15 and included among others, discount rate and future salary rate increase. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's retirement obligations.

Retirement liability amounted to ₱790 as at July 31, 2012 and June 30, 2012 (see Note 15). Pension expense for the month ended July 31, 2012 is not significant.

4. Cash

This account consists of:

	July 31	June 30
Cash on hand	**₱1,880,717**	₱890,000
Cash in banks	**14,401,399**	15,833,892
	₱16,282,116	₱16,723,892

Cash in banks earns interest at the respective bank deposit rates. Interest income from cash in banks amounted to ₱259 and ₱32,981 for the month ended July 31, 2012 and for the year ended June 30, 2012, respectively.

5. Trade and other receivables

This account consists of:

	2012	2012
Trade	**₱2,900,916**	₱407,463
Receivables from suppliers (see Note 13)	**5,724,431**	5,253,672
Due from related parties (see Note 13)	**2,573,513**	2,632,485
Nontrade	**92,417**	74,379
Advances to:		
Suppliers and contractors	**209,333**	209,333
Employees	**22,451**	22,451
	₱11,523,061	₱8,599,783

The terms and conditions of the above receivables are as follows:

a. Trade receivables include credit card sales transactions which are noninterest-bearing and are generally collectible within three to five days following the sale.

   For terms and conditions relating to related party receivables, refer to Note 13.

b. Receivables from suppliers pertain to trade discounts given by manufacturers/suppliers to PPCI for undertaking promotional activities including but not limited to provisions of prime space or preferred locations for product display and in-store advertisements, product bundling and product sampling, which are subject to the happening of an event or the fulfillment of certain conditions as agreed between the manufacturers/suppliers and PPCI. PPCI allocated portions of the trade discount to the Company which will be applied to subsequent suppliers' invoices.

   As at October 11, 2012, about 74% of the outstanding balance of the receivables from suppliers for has been applied against suppliers' invoices.

c. Advances to suppliers and employees are noninterest-bearing and are normally settled through invoice deduction and salary deduction and/or liquidation of expenses, respectively. Nontrade receivables are noninterest-bearing and are generally in a 30-day credit term.

There were no provisions for doubtful accounts for the month ended July 31, 2012 and for the year ended June 30, 2012.

6. Other Current Assets

This account consists of:

	July 31	June 30
Input VAT	**₱5,528,244**	₱4,870,425
Prepaid rent (see Note 14)	**2,348,749**	1,582,393
Creditable withholding taxes	**625,621**	625,621
Others	**571,261**	571,261
	₱9,073,875	₱7,649,700

7. Property and Equipment

This account consists of:

	Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Total
Cost				
Balance at beginning of period	**₱11,477,119**	**₱23,554,694**	**₱994,607**	**₱36,026,420**
Acquisitions	**–**	**6,800**	**–**	**6,800**
Balance at end of period	**11,477,119**	**23,561,494**	**994,607**	**36,033,220**
Accumulated Depreciation and Amortization				
Balance at beginning of period	**3,218,212**	**15,051,912**	**351,785**	**18,621,909**
Depreciation and amortization (see Note 11)	**46,653**	**656,667**	**16,576**	**719,896**
Balance at end of period	**3,264,865**	**15,708,579**	**368,361**	**19,341,805**
	₱8,212,254	**₱7,852,915**	**₱626,246**	**₱16,691,415**

	Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱11,068,823	₱22,513,443	₱994,607	₱34,576,873
Acquisitions	408,296	1,041,251	–	1,449,547
Balance at end of year	11,477,119	23,554,694	994,607	36,026,420
Accumulated Depreciation and Amortization				
Balance at beginning of year	2,670,934	7,194,268	152,864	10,018,066
Depreciation and amortization (see Note 11)	547,278	7,857,644	198,921	8,603,843
Balance at end of year	3,218,212	15,051,912	351,785	18,621,909
	₱8,258,907	₱8,502,782	₱642,822	₱17,404,511

8. Refundable Deposits and Other Noncurrent Assets

This account consists of:

	July 31	June 30
Advances and deposits (see Notes 13 and 14)	**₱4,189,653**	₱4,118,075
Computer software - net of accumulated amortization of ₱821,480, ₱792,434 and ₱443,893 as at July 31, 2012, June 30, 2012 and June 30, 2011, respectively	**803,928**	832,974
	4,993,581	4,951,049
Less allowance for impairment loss (see Note 14)	**1,891,845**	1,891,845
	₱3,101,736	₱3,059,204

Advances and deposits include bill deposits amounting to ₱1,335,640 for both 2012 and 2011, paid to Manila Electric Company as a security for any unpaid dues on the consumption of electricity and will be refunded upon termination of the service.

9. Trade and Other Payables

This account consists of:

	July 31	June 30
Trade	**₱70,666,961**	₱65,552,549
Nontrade	**5,404,379**	7,056,271
Due to related party (see Note 13)	**4,725,326**	372,528
Accrued expenses:		
Rent (see Note 14)	**8,987,104**	8,328,694
Others	**3,697,717**	914,504
Withholding taxes payable	–	75,190
Others	**282,987**	610,063
	₱93,764,474	₱82,909,799

The terms and conditions of the above liabilities are as follows:

a. Trade payables, accrued expenses and other payables are non-interest bearing and are generally on a 30-day payment term.

   For terms and conditions relating to related party payables, refer to Note 13.

b. Nontrade payables consist of payables for manpower services, repairs and maintenance and professional fees and are generally settled within one month.

10. Cost of Sales

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Merchandise inventory at beginning of period	**₱40,589,188**	₱42,093,962
Purchases during the period - net of purchase returns, allowances and discounts (see Note 13)	**41,168,727**	580,327,036
Cost of goods available for sale	**81,757,915**	622,420,998
Merchandise inventory at end of period	**(47,815,699)**	(40,589,188)
	₱33,942,216	₱581,831,810

11. Operating Expenses

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Rent (see Note 14)	**₱1,836,453**	₱20,506,289
Manpower services	**1,263,494**	19,859,020
Utilities (see Note 14)	**789,557**	14,288,788
Depreciation and amortization (see Notes 7 and 8)	**748,942**	8,952,383
Security services	**602,079**	7,323,732
Taxes and licenses	**313,766**	2,979,298
Supplies	**187,077**	3,250,694
Salaries and benefits (see Notes 13 and 15)	**167,846**	2,303,947
Insurance	**109,290**	54,520
Advertising	**12,666**	301,296
Professional fees	**6,650**	366,642
Repairs and maintenance	–	1,511,192
Other services (see Note 13)	–	976,044
Transportation and travel	–	607,995
Representation and entertainment	–	483,822
Others	**110**	621,957
	₱6,037,930	₱84,387,619

12. Other Income

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Rent (see Note 14)	**₱58,896**	₱1,342,571
Display allowances	**19,703**	669,285
Marketing support	–	242,349
Others	**2,205**	481,061
	₱80,804	₱2,735,266

13. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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 common significant influence.

Significant transactions with related parties include the following:

a. The Company, in the normal conduct of its business, sells and purchases merchandise inventories from and to its related parties. Outstanding balances from these transactions are presented as "Due from related parties" and "Due to related parties" under "Trade and other receivables" and "Trade and other payables" accounts in the balance sheets, respectively. The following table summarizes these transactions with related parties as at July 31, 2012 and June 30, 2012:

Related Parties	Period	Sales	Amounts Owed by Related Party (see Note 5)	Purchases (see Note 10)	Amounts Owed by Related Party (see Note 5)
	July 31	**₱395,969**	**₱72,724**	**₱151,584**	–
Gant Diamond Corporation (GDC)	June 30	395,969	131,696	151,584	–
Gant Diamond Corporation III (GDIII)	**July 31**	**₱750,245**	**₱–**	**₱72,501**	–
	June 30	750,245	–	72,501	–
Super Retail VIII Corporation (SRVIII)	**July 31**	**1,058,605**	**374,667**	**79,897**	–
	June 30	1,058,605	374,667	79,897	–
Super Retail XV Corporation (SRXV)	**July 31**	**549,212**	–	**4,370**	–
	June 30	549,212	–	4,370	–
SCV Corporation	**July 31**	**5,798,033**	**2,126,122**	–	–
	June 30	5,798,033	2,126,122	–	–
PPCI	**July 31**	–	–	**4,219,042**	**4,725,326**
	June 30	–	–	332,615	372,528
	July 31	**₱8,552,064**	**₱2,573,513**	**₱4,527,394**	**₱4,725,326**
	June 30	8,552,064	2,632,485	640,967	372,528

b. In the normal course of business, the Company obtains from and grants cash advances to other related parties which are noninterest-bearing and are regularly settled within one year. Total advances to related parties, which is presented as "Due from related parties" account in the balance sheets, amounted to ₱1,600,000 as at July 31, 2012 and June 30, 2012.

   Total advances from PPCI and other related parties, which is presented under "Due to related parties" account in the balance sheets, amounted to ₱30,478,733 as at July 31, 2012 and June 30, 2012.

c. PPCI allocated certain amount of trade discounts to the Company amounting to ₱470,759 and ₱5,253,672 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively. These trade discounts were given by manufactures/suppliers to PPCI for fulfilling certain conditions and/or the happening of certain events as agreed between the manufacturers/suppliers and the PPCI (see Note 5).

d. In June 2011, the Company entered into a service agreement for one year and one month with Lynxserv Corporation (LC) wherein the latter will provide transportation and other related services for the deliveries of goods of the Company to and from its branches. The Company paid LC a refundable deposit amounting to ₱67,000 presented as part of "others" under Other Current Assets account in the Balance Sheets, as security for its observance and faithful compliance with the terms and conditions of the agreement (see Note 6). Total service fee, which is presented as part of the "Other services" under "Operating expenses" account in the statements of comprehensive income, amounted to ₱737,000 in 2012 (see Note 11).

The Company, GDC, GDIII, SRVIII, SRXV, SCV and LC are subsidiaries of GGCI.

Terms and Conditions of Transactions with Related Parties
The sales and purchases from related parties are made at normal market prices. Outstanding balances of transactions with related parties at year-end are unsecured, noninterest-bearing, settlement occurs in cash and receivable/payable in demand. There have been no guarantees provided or received for any related party receivables or payables. For the month ended July 31, 2012 and for the year ended June 30, 2012, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company
Effective May 30, 2012, the key management personnel of the Company and PPCI are the same. The compensation of key management personnel is shouldered by PPCI. For the month ended July 31, 2012 and for the year ended June 30, 2012, there are no compensation of key management personnel.

14. Lease Agreements

The Company as a Lessee
In 2009, the Company entered into a lease contract for a commercial space in Bacoor, Cavite for a period of 10 years to commence upon formal ingress of the lessee, the date of which to be determined upon mutual agreement of both parties. The agreement also provides that the lessor will construct the building that will be occupied by the Company. The fixed monthly rental is ₱304,645 for the first four years and is subject to escalation rate of 10% beginning on the fifth year and every year thereafter. Rent deposits and advance rentals relating to this lease agreement amounted to ₱1,891,845 as at June 30, 2010. Rent deposits will be refunded upon termination of the contract of lease and advance rentals will be applied as payments for the first three months of the lease term.

As at June 30, 2010, the lessor has not yet constructed the building to be leased by the Company. In 2010, the Company provided an allowance for the full amount of the rental deposits and advance rental amounting to ₱1,891,845 (see Note 8). There were no additional provisions in 2012 and 2011.

As at July 31, 2012 and June 30, 2012, the case filed by the Company against the other party is still pending and awaiting resolution.

The Company has entered into various lease agreements with KC. Details are as follows:

- Lease of a building where the trading facilities of its branch in Las Piñas is located beginning January 1, 2012 until December 31, 2024. Until January 1, 2012 the lease is renewable annually. The annual rent of ₱5,887,200 is subject to an escalation rate of 5% to 10%, as shown in the lease contract, starting on the second year and every year thereafter. Rent expense charged to operations amounted to ₱759,220 and ₱6,455,096 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11). Rent deposits relating to this lease agreement amounted to ₱625,000 as at July 31, 2012 and June 30, 2012 (see Note 8).

- Lease of a building where the trading facilities of its branch in Plaridel, Bulacan is located beginning October 1, 2010 or from the actual turnover of the leased premises, whichever comes first for a period of two years and nine months. In March 2, 2012, the lease term was amended to fourteen years and nine and a half months. The annual rent of ₱4,093,746 is subject to an escalation rate of 5% to 10%, commencing third year and every year thereafter. Rent expense charged to operations amounted to ₱519,850 and ₱8,675,764 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11). Rent deposits relating to this lease agreement amounted to ₱719,280 as at July 31, 2012 and June 30, 2012 (see Note 8).

- Lease of a building where the trading facilities of its branch in Taguig is located beginning December 1, 2010, or from the actual turnover of the leased premises, whichever comes first for a period of one year and seven months. In December 28, 2011, the lease term was renewed to eighteen years and seven months, effective December 1, 2011. The annual rent of ₱3,637,500 is subject to an escalation rate of 5 to 10%, as shown in the lease contract, starting on the second year and every year thereafter. Rent expense charged to operations amounted to ₱521,383 and ₱4,943,429 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11). Rent deposits relating to this lease agreement amounted to ₱776,250 as at July 31, 2012 and June 30, 2012 (see Note 8).

- Lease of an office space from KC Realty, for one year beginning July 1, 2011, with an option to renew. The fixed monthly rental amounted to ₱36,000. Upon signing of the contract of lease, the Company paid ₱72,000 as lease deposit. Rent expense charged to operations amounted to ₱36,000 and ₱432,000 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11).

- The Company paid KC refundable deposits amounting to ₱2,120,530 as security for its observance and faithful compliance with the terms and conditions of the agreement. The deposit was discounted to its present value using a pre-tax risk-free interest rate based on Philippine Government Zero Coupon Yield. This is presented under "Refundable deposits and other noncurrent assets" account in the balance sheet.

GGCI and KC Realty and Development Corporation (KC) have common shareholders until May 30, 2012.

The deposits were discounted using the EIR of 6.96% as at June 30, 2012. The deposits are carried at amortized cost using the EIR method. The excess of the principal amount of the deposit over its fair value is accounted for as prepaid rent presented as "Prepaid rent" under "Other current assets" account in the balance sheet, and is amortized over the lease term on a straight-line basis (see Note 6). Interest on the deposit, meanwhile, is accounted for using the EIR method such that as the deposit is amortized using the EIR method and prepaid rent using the straight-line method, there is a profit or loss effect during the period. Accretion of deposit, which was included as part of "Interest income" account in the statements of comprehensive income, amounted to ₱4,579 and ₱26,635 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

Accrued rent, included under "Trade and other payables" account in the balance sheets, representing the difference in accounting for rent expense under the straight-line computation and actual payment per contract for all lease agreements amounted to ₱8,987,104 and ₱8,328,694 as at July 31, 2012 and June 30, 2012, respectively (see Note 9).

As at July 31, 2012 and June 30, 2012, the future minimum lease payments are as follows:

	July 31	June 30
Within one year	**₱14,348,334**	₱14,247,702
After one year but not more than five years	**70,734,805**	70,318,731
More than five years	**228,712,314**	230,363,891
	₱313,795,453	₱314,930,324

Related to the leased building spaces, utilities expenses charged by KC to the Company amounted to ₱49,073 and ₱1,020,777 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (Note 11).

The Company as a Lessor
The Company subleases certain spaces of its trading facilities to various third parties, renewable annually. Rent income under "Other income" account amounted to ₱58,896 and ₱1,342,571 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

15. **Retirement Cost**

The Company has an unfunded defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on employees' salaries and length of service and are actuarially computed using the projected unit credit method.

The following tables summarize the components of retirement cost recognized in the statements of comprehensive income and the retirement liability recognized in the balance sheet.

	July 31 (One Month - see Note 2)	June 30 (One Year)
Retirement cost (recognized as part of "Salaries and benefits") (see Note 11):		
Current service cost	**₱–**	₱1,117
Interest cost	–	51
Benefits paid	–	482,163
Amortization of actuarial loss	–	(378)
	₱–	₱482,953
Retirement liability:		
Defined benefit obligation	**₱8,168**	₱8,168
Unrecognized actuarial gain	**(7,378)**	(7,378)
	₱790	₱790
Changes in the present value of defined benefit obligation:		
Balance at beginning of period	**₱8,168**	₱15,300
Current service cost	–	1,117
Interest cost	–	51
Benefits paid	–	(6,500)
Actuarial loss (gain)	–	(1,800)
	₱8,168	₱8,168

	July 31 (One Month - see Note 2)	June 30 (One Year)
Unrecognized actuarial losses (gains):		
Balance at beginning of period	**(₱7,378)**	(₱8,800)
Actuarial loss on obligation	–	(500)
Actuarial gain recognized	–	1,922
Balance at end of period	**(₱7,378)**	(₱7,378)

The principal assumptions used in determining the retirement liability of the Company are shown below:

	July 31	June 30
Discount rate	**9.43%**	9.43%
Future salary rate increases	**5.00%**	5.00%

On May 30, 2012, the Company made an early retirement payout to all its regular employees as a result of the change in management brought by Puregold's acquisition of GGCI's equity interest in the Company (see Note 1). Additional retirement benefit incurred arising from this transaction amounted to ₱482,163 for the year ended June 30, 2012.

16. Income Tax

Deferred Tax

As at July 31, 2012 and June 30, 2012, the Company's deferred tax assets are as follows:

	July 31	June 30
NOLCO	**₱3,774,998**	₱3,774,998
Accrued rent	**2,696,131**	2,498,608
Allowance for impairment loss	**567,554**	567,554
Retirement liability	**237**	237
	₱7,038,920	₱6,841,397

Current Tax

The provision for current income tax pertains to Regular Corporate Income Tax (RCIT) for the month ended July 31, 2012 and there was no provision for current income tax for the year ended June 30, 2012.

The Company has the following NOLCO, which can be deducted against taxable income, as follows:

Date Incurred	Expiry Date	Amount
December 31, 2009	December 31, 2012	₱3,545,428
June 30, 2011	June 30, 2014	4,834,929
June 30, 2012	June 20, 2015	4,202,970
		₱12,583,327

The reconciliation between benefit from income tax computed at the statutory rate and the benefit from income tax as shown in the statements of comprehensive income is summarized as follows:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Benefit from income tax at statutory income tax rate	**(₱117,915)**	(₱3,727,660)
Add (deduct) income tax effects of:		
Interest income subjected to final tax	**(78)**	(9,894)
Others	**778**	9,634
	(₱117,215)	(₱3,727,920)

17. Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as at July 31, 2012 and June 30, 2012:

	July 31		June 30	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash	**₱16,282,116**	**₱16,282,116**	₱16,723,892	₱16,723,892
Trade and other receivables [(a)]	**5,566,846**	**5,566,846**	3,114,327	3,114,327
Due from related parties	**1,600,000**	**1,600,000**	1,600,000	1,600,000
Other current assets [(b)]	**67,000**	**67,000**	67,000	67,000
Refundable deposits included as part of "Refundable deposits and other noncurrent assets account) [(c)]	**2,297,808**	**2,280,964**	2,226,230	2,280,964
	₱25,813,770	**₱25,796,926**	₱23,731,449	₱23,786,183
Financial Liabilities				
Other financial liabilities:				
Trade and other payables [(d)]	**₱84,777,370**	**₱84,777,370**	₱74,478,556	₱74,478,556
Due to related parties	**30,478,733**	**30,478,733**	30,478,733	30,478,733
	₱115,256,103	**₱115,256,103**	₱104,957,289	₱104,957,289

[(a)] *Excludes receivables from suppliers and advances to suppliers which are expected to be settled through invoice deduction and advances to employees which are normally settled through salary deduction and liquidation of expenses amounting to ₱5,956,215 and ₱5,485,456 as at July 31, 2012 and June 30, 2012, respectively.*

[(b)] *Pertains to security deposit paid to LC refundable within one year.*

[(c)] *Net of allowance for impairment loss amounting to ₱1,891,845 both for the month ended July 31, 2012 and for the year ended June 30, 2012.*

[(d)] *Excludes accrued rent computed under PAS 17, taxes payable and statutory liabilities totaling to ₱8,987,104 and ₱8,431,243 as at July 31, 2012 and June 30, 2012, respectively*

Carrying values of cash, trade and other receivables, due from related parties, other current assets, trade and other payables and due to related parties approximate their fair values due to the short-term nature of the transactions.

As at July 31, 2012, the movement of the fair value of refundable deposits is not significant. As at June 30, 2012, the fair value of refundable deposits is the estimated future cash flows, discounted to 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. Discount rates used ranges from 5% to 7% for the month ended July 31, 2012 and for the year ended June 30, 2012, based on Philippine Government Zero Coupon Yield.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at July 31, 2012 and June 30, 2012, the Company has no financial asset and liability carried at fair value.

18. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, due from related parties and due to related parties. The Company has various other financial assets and liabilities such as trade and other receivables, other current assets, refundable deposits and trade and other payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing these risks as summarized below:

Credit Risk
Credit risk is the risk that the Company will incur a loss arising from its customers or counterparties that fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk that the Company is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

The Company trades only with recognized, creditworthy third parties. Trade receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risks arising from cash in banks, the Company's exposure to credit risks arises from default of the counterparty, with a maximum exposure that is equal to the carrying amount of cash in banks less insurance.

The Company has no significant concentrations of credit risk.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position:

	July 31		June 30	
	Gross Maximum Exposure[(1)]	**Net Maximum Exposure[(2)]**	Gross Maximum Exposure[(1)]	Net Maximum Exposure[(2)]
Cash[(a)]	**₱14,401,399**	**₱12,198,509**	₱15,833,892	₱13,631,001
Trade and other receivables[(b)]	**5,566,846**	**5,566,846**	3,114,327	3,114,327
Due from related parties	**1,600,000**	**1,600,000**	1,600,000	1,600,000
Other current assets[(c)]	**67,000**	**67,000**	67,000	67,000
Refundable deposits[(d)]	**2,297,808**	**2,297,808**	2,226,230	2,226,230
	₱23,933,053	**₱21,730,163**	₱22,841,449	₱20,638,558

[(1)] *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

[(2)] *Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

[(a)] *Excludes cash on hand, amounting to ₱1,880,717 and ₱890,000 as at July 31, 2012 and June 30, 2012, respectively.*

[(b)] *Excludes receivables from suppliers and advances to suppliers which are expected to be settled through invoice deductions and advances to employees which are normally settled through salary deduction and liquidation of expenses amounting to ₱5,956,215 and ₱5,485,456, as at July 31, 2012 and June 30, 2012, respectively.*

[(c)] *Pertains to security deposit paid to LC refundable within one year.*

[(d)] *Net of allowance for impairment loss amounting to ₱1,891,845 both for the month ended July 31, 2012 and for the year ended June 30, 2012.*

The credit quality of the Company's financial assets is being managed by the Company using the internal credit ratings. Cash in bank amounting to ₱14,401,399 and ₱15,833,892 as at July 31, 2012 and June 30, 2012, respectively, trade and other receivables amounting to ₱5,566,846 and ₱3,114,327 as at July 31, 2012 and June 30, 2012, respectively, due from related parties amounting to ₱1,600,000 as at July 31, 2012 and June 30, 2012, other current assets amounting to ₱67,000 as at July 31, 2012 and June 30, 2012 and refundable deposits amounting to ₱2,297,808 and ₱2,226,230 as at July 31, 2012 and June 30, 2012, respectively, are considered as high grade. These financial assets of the Company are neither past due nor impaired.

The following tables show the aging analysis of the Company's financial assets that are past due but not impaired as at July 31, 2012 and June 30, 2012:

	July 31					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		1 to 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Impaired**	**Total**
Cash[(a)]	**₱14,401,399**	**₱–**	**₱–**	**₱–**	**₱–**	**₱14,401,399**
Trade and other receivables[(b)]	**5,566,846**	–	–	–	–	**5,566,846**
Due from related parties	**1,600,000**	–	–	–	–	**1,600,000**
Other current assets[(c)]	**67,000**	–	–	–	–	**67,000**
Refundable deposits[(d)]	**2,297,808**	–	–	–	**1,891,845**	**4,189,653**
	₱23,933,053	**₱–**	**₱–**	**₱–**	**₱1,891,845**	**₱25,824,898**

SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Superagora X Corporation
3903 Cagayan Valley Road
Tabang, Plaridel, Bulacan

We have audited the accompanying financial statements of Superagora X Corporation (a wholly owned subsidiary of Gant Group of Companies Incorporated) for the month ended July 31, 2012, on which we have rendered the attached report dated October 11, 2012.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the above Company has a sole stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174823, January 2, 2012, Makati City

October 11, 2012

COVER SHEET

CS2010-17000

SEC Registration Number

SUPER RETAIL XV CORPORATION (A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

(Company's Full Name)

Lot 20, Blk. 10, Batasan Road, Batasan Hills, Quezon City

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

Leonardo B. Dayao

(Contact Person)

367-1539

(Company Telephone Number)

0 7	3 1
Month	Day

(Fiscal Year)

AFS

(Form Type)

1 0	2 8
Month	Day

(Annual Meeting)

(Secondary License Type, If Applicable)

–

Dept. Requiring this Doc.

–

Amended Articles Number/Section

Total Amount of Borrowings

6

Total No. of Stockholders

₱–	₱–
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Super Retail XV Corporation** is responsible for the preparation and fair presentation of the financial statements for the period ended July 31, 2012 and for the year ended June 30, 2012, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

LEONARDO B. DAYAO
Chairman of the Board

IRAIDA B. DE GUZMAN
President

DENISE MARIA D. CAROLINO
Corporate Financial Officer

Signed this 11th day of October 2012

SUBSCRIBED AND SWORN to before me, this OCT 16 2012 day of ________ 2012 at MANILA affiants exhibited to me their Tax Identification Numbers Leonardo B. Dayao 135-546-815, Iraida B. De Guzman 156-419-202 and Denise Maria D. Carolino 136-576-655.

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Book No. 90
Series of 2012 ________

ATTY. RONALD SEGUNDINO C. CHING
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ADMIN. NO. 2011-009 - UNTIL DEC. 31, 2012
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PTR NO. MLA 1311224 / 12-19-2011 MANILA
MCLE COMPLIANCE NO. III-0016300

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February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Super Retail XV Corporation
Lot 20, Blk. 10, Batasan Road
Batasan Hills, Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of Super Retail XV Corporation (a wholly owned subsidiary of Gant Group of Companies Incorporated), which comprise the balance sheets as at July 31, 2012 and June 30, 2012, and the statements of comprehensive income, statements of changes in capital deficiency and statements of cash flows for the month ended July 31, 2012 and the year ended June 30, 2012, 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Super Retail XV Corporation as at July 31, 2012 and June 30, 2012 and its financial performance and its cash flows for the periods then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Vivian C. Ruiz

Maria Vivian C. Ruiz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-084-744
BIR Accreditation No. 08-001998-47-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174823, January 2, 2012, Makati City

October 11, 2012

SUPER RETAIL XV CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

BALANCE SHEETS
JULY 31, 2012 AND JUNE 30, 2012

	July 31	June 30
ASSETS		
Current Assets		
Cash (Notes 4, 16 and 17)	**₱14,891,446**	₱12,741,764
Trade and other receivables (Notes 5, 13, 16 and 17)	**7,406,646**	7,388,825
Merchandise inventory (Note 10)	**37,628,655**	34,997,970
Due from related parties (Notes 13, 16 and 17)	**1,000,000**	1,000,000
Other current assets (Notes 6, 8, 16 and 17)	**6,396,785**	7,395,407
Total Current Assets	**67,323,532**	63,523,966
Noncurrent Assets		
Property and equipment (Note 7)	**23,385,365**	23,954,923
Deferred tax asset (Note 15)	**3,245,931**	3,152,916
Other noncurrent assets (Notes 8, and 14)	**2,672,773**	2,730,263
Total Noncurrent Assets	**29,304,069**	29,838,102
	₱96,627,601	₱93,362,068
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Trade and other payables (Notes 9, 13, 16 and 17)	**₱64,381,793**	₱60,342,249
Due to related parties (Notes 13, 16 and 17)	**34,818,838**	35,384,659
Income tax payable	**3,024**	–
Total Current Liabilities	**99,203,655**	95,726,908
Capital Deficiency		
Capital stock	**5,000,000**	5,000,000
Deficit	**(7,576,054)**	(7,364,840)
Net Capital Deficiency	**(2,576,054)**	(2,364,840)
	₱96,627,601	₱93,362,068

See accompanying Notes to Financial Statements.

SUPER RETAIL XV CORPORATION

(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE MONTH ENDED JULY 31, 2012
AND YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
NET SALES (Note 13)	**₱27,002,659**	₱287,949,306
COST OF SALES (Notes 10 and 13)	**23,082,049**	253,988,706
GROSS PROFIT	**3,920,610**	33,960,600
Operating expenses (Notes 7, 11, 13 and 14)	**(4,236,124)**	(43,881,047)
Interest income (Notes 4 and 8)	**3,379**	51,306
Other income (Note 12)	**10,930**	1,616,904
LOSS BEFORE INCOME TAX	**(301,205)**	8,252,237
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)		
Current	**3,024**	–
Deferred	**(93,015)**	(2,475,370)
	(89,991)	(2,475,370)
NET LOSS	**(211,214)**	(5,776,867)
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	**(₱211,214)**	(₱5,776,867)

See accompanying Notes to Financial Statements.

SUPER RETAIL XV CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE MONTH ENDED JULY 31, 2012
AND YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CAPITAL STOCK - ₱100 par value		
Authorized - 200,000 shares		
Issued - 50,000 shares	**₱5,000,000**	₱5,000,000
DEFICIT		
Balance at beginning of period	**(7,364,840)**	(1,587,973)
Total comprehensive loss	**(211,214)**	(5,776,867)
Balance at end of period	**(7,576,054)**	(7,364,840)
	(₱2,576,054)	(₱2,364,840)

See accompanying Notes to Financial Statements.

SUPER RETAIL XV CORPORATION
(A Wholly Owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CASH FLOWS
FOR THE MONTH ENDED JULY 31, 2012
AND YEAR ENDED JUNE 30, 2012

	July 31 (One Month - Note 2)	June 30 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱301,205)	(₱8,252,237)
Adjustments for:		
Depreciation and amortization (Notes 7, 8 and 11)	630,427	4,806,357
Interest income (Notes 4 and 8)	(3,379)	(51,306)
Operating loss before working capital changes	325,843	(3,497,186)
Decrease (increase) in:		
Trade and other receivables	(17,821)	(6,110,109)
Merchandise inventory	(2,630,685)	(20,750,318)
Due from related parties	–	92,051
Other current assets	998,622	(3,967,594)
Increase (decrease) in:		
Trade and other payables	4,039,544	50,120,228
Due to related parties	(565,821)	17,310,145
Net cash generated from operations	2,149,682	33,197,217
Interest received (Note 4)	–	13,256
Net cash provided by operating activities	2,149,682	33,210,473
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 7)	–	(21,659,805)
Increase in other noncurrent asset	–	(1,899,529)
Net cash used in investing activities	–	(23,559,334)
NET INCREASE IN CASH	2,149,682	9,651,139
CASH AT BEGINNING OF PERIOD	12,741,764	3,090,625
CASH AT END OF PERIOD	₱14,891,446	₱12,741,764

See accompanying Notes to Financial Statements.

1. Corporate Information

Super Retail XV Corporation (the Company), a wholly owned subsidiary of Gant Group of Companies Incorporated (GGCI or the Parent Company), was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 15, 2010 to engage in wholesale and retail of general merchandise. Its registered office address is Lot 20, Blk. 10, Batasan Road, Batasan Hills, Quezon City.

On May 30, 2012, Puregold Price Club, Inc. (PPCI) acquired 100% equity interest in GGCI from its previous individual shareholders. Effective on that date, GGCI become a wholly owned subsidiary of PPCI. PPCI, the ultimate parent company, is engaged in the business of trading goods such as consumer products on a wholesale and retail business.

Status of Operations
The Company started commercial operations on December 16, 2010 and operated its first store branch located in Batasan , Quezon City. The Company then opened its two new branches in Guiguinto, Bulacan and Antipolo, Rizal in November and December 2011, respectively.

The Company has been continuously incurring net losses since it started its commercial operations in December 2010. The net losses for the month ended July 31, 2012 and the year ended June 30, 2012 amounted to ₱211,214 and ₱5,776,867, respectively, and as of that dates, had a capital deficiency of ₱2,576,054 and ₱2,364,840, respectively. These factors indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, and therefore, the Company may be unable to realize its assets and settle its liabilities in the normal course of business.

To address this, PPCI formulates strategies to improve profitability of the stores by introducing synergy in various operations of the business, leverage on the improved scale of the retail group in negotiating with trade partner suppliers of goods and services and improving facilities and product mix to boost revenue. On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity. As at October 11, 2012, the Company is still in the process of securing the approval and filing of necessary documents with the SEC.

The Board of Directors (BOD) approved the issuance of the Company's financial statements as at July 31, 2012 on October 11, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine peso. All values are rounded to the nearest peso, except when otherwise indicated. The Company's financial statements are prepared in connection with PPCI application for merger of all its wholly-owned subsidiaries with PPCI, with PPCI being the surviving entity.

In relation to the merger as disclosed in Note 1, the amounts presented in the July 31, 2012 statement of comprehensive income, changes in capital deficiency, cash flows and the related notes to the Company's financial statements are for one month and, accordingly, are not comparable with that of previous period.

Statement of Compliance
The financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS include statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Financial Reporting Standards Council.

Under the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs), the Company qualified under the definition of an SME. However, the Company elected not to adopt PFRS for SMEs under the exemption provided by the SEC, specifically, being a subsidiary of a parent company reporting under full PFRS. PPCI prepares consolidated financial statements in compliance with PFRS.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine Interpretations based on equivalent interpretations which were adopted as of July 1, 2011.

- Amendment to PFRS 7, *Disclosures - Transfers of Financial Assets*

  The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments to PFRS 7 are affective for annual periods beginning on or after July 1, 2011.

- PAS 24, *Related Party Disclosures (Amendment)*

  The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues.*

  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

- Philippine Interpretation 14, *Prepayments of a Minimum Funding Requirement (Amendment)*

  The amendment to Philippine Interpretation IFRIC 14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of the amendment did not have an impact on the financial position and performance of the Company.

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

  This interpretation is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

Improvements to PFRSs
In May 2010, the International Accounting Standards Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

- PFRS 3, *Business Combinations*

  The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- PFRS 7, *Financial Instruments: Disclosures*

  The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, *Presentation of Financial Statements*

  The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*

  The improvement clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investment in Associates*, and PAS 31, *Interest in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier. This interpretation is applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

  The amendment clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Company recognizes a financial asset or financial liability in its balance sheet 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 trade date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are measured at fair value through profit or loss (FVPL).

Determination of Fair Value. The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking 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.

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

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

Classification of Financial Instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are categorized as financial liabilities at FVPL and other financial liabilities. The Company determines the classification at initial recognition and re-evaluates this designation at every financial reporting date, where allowed and appropriate.

As at July 31, 2012 and June 30, 2012, the Company has no financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest (EIR) method less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in the interest income in the statement of comprehensive income. Losses arising from impairment are recognized as provision for doubtful accounts in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

As at July 31, 2012 and June 30, 2012, this category includes cash, trade and other receivables, due from related parties and refundable deposits which are presented as part of "Other noncurrent assets" account (see Note 16).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at July 31, 2012 and June 30, 2012, this category includes trade and other payables and due to related parties (see Note 16).

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provided for a contractual obligation to:

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own shares.

If the Company does not have the unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Impairment of Financial Assets

The Company assesses at each financial reporting date whether a financial asset or a group of financial assets is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the 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 that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Cash flows from trade receivables and refundable deposits are not discounted if the effect of discounting is immaterial. The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of loss experience for assets with credit risk characteristics similar to those in the Company. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Derecognition of Financial Instruments

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 right to receive cash flows from the asset has expired;
- the Company 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 Company has transferred its right 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 Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company'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 Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 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 the statement of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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 financial assets and liabilities are presented at gross amounts in the balance sheet.

Merchandise Inventory
Merchandise inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first out method. Net realizable value is the selling price in the ordinary course of business less cost to sell.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and if the recognition criteria are met.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 years
Transportation equipment	5 years
Leasehold improvements	20 years or terms of the lease agreement, whichever is shorter

Impairment of Property and Equipment and Computer Software

The Company assesses at each financial reporting date whether there is an indication that its property and equipment and computer software may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. Fair value is the amount obtainable from the sale of an asset in arm's length transaction less the costs of disposal. 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 assessment of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued

Deficit. Deficit represents the cumulative balance of net loss of the Company.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue shown as "Net Sales" in the statement of comprehensive income is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Net sales are measured at the fair value of the consideration received, net of discounts, returns and value-added taxes.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Revenue is recognized when earned.

Cost of Sales and Expenses
Cost of sales and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the statement of comprehensive income in the year these are incurred.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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 passage of time is recognized as an interest expense.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;

b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfilment is dependent on a specified asset; or

d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Lease payments under an operating lease are recognized as income or expense in the statement of comprehensive income on a straight-line basis over the term of the lease. For income tax purposes, expenses under operating lease arrangements are treated as deductible expenses in accordance with the terms of the lease agreements.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused 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 unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial 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 financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset 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 value-added tax, except:

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

The net amount of VAT recoverable from or payable to the tax authority is included under "Other current assets" or "Trade and other payables" accounts, respectively, in the balance sheet

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's financial position at the financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

New Accounting Standards, Interpretations and Amendments to Existing Standards

Effective Subsequent to July 31, 2012
The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these revised standards, interpretations and amendments to PFRS to have significant impact on the Company's financial statements.

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

  The clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespec*tive of whether t*hey are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period: (a) the gross amounts of those recognized financial assets and recognized financial liabilities; (b) the amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position; (c) the net amounts presented in the statement of financial position; (d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including: (i) amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and (ii) amounts related to financial collateral (including cash collateral); and (e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

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

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*

  PFRS 12 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Financial Statement Presentation – Presentations of Items of Other Comprehensive Income*

  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Amendment)*

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

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

  As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (Revised)*

  As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment to PAS 28 becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities*

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

3. Significant Accounting Judgment, Estimates and Assumptions

In preparing the financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The Company believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on financial statements.

Judgment

In the process of applying the accounting policies, management has made judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

Evaluating Lease Commitments. The Company has entered into various lease agreements as a lessee and lessor.

a. Company as a Lessee.

The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership on the lease of various building spaces. The Company accounts for the contracts as operating leases because the lease agreements do not transfer to the Company the ownership over the assets at the end of the lease term and do not provide the Company with a bargain purchase option over the leased assets.

Rent expenses amounted to ₱1,063,971 and ₱10,733,350 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11).

b. Company as a Lessor

The Company has entered into subleases for certain area in its trading facilities. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties. The Company accounts for the contracts as operating leases because the lease agreements do not transfer ownership of the assets to the lessee at the end of the lease term and do not give the lessee a bargain purchase option over leased the assets.

Rent income amounted to ₱3,000 and ₱30,000 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining Fair Value of Financial Assets and Liabilities. Entities are required to disclose for each class of financial assets and liabilities the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the Company's balance sheet, which requires the use of accounting judgment and estimates. Significant components of fair value measurement are determined using verifiable objective evidence (i.e., interest rates, volatility rates), and timing and amount of changes in fair value would differ with the valuation methodology used. Any changes in fair value of these financial assets and liabilities would affect the disclosures made by management (see Note 16).

Estimating Allowance for Doubtful Accounts. The Company reviews its receivables at each financial reporting date to assess whether an allowance for doubtful accounts should be recorded in the balance sheet. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in industry risk, as well as identified structural weaknesses or deterioration in cash flows.

The Company has not made any provision for doubtful accounts for the month ended July 31, 2012 and the year ended June 30, 2012. Trade and other receivables amounted to ₱7,406,646 and ₱7,388,825 as at July 31, 2012 and June 30, 2012, respectively (see Note 5).

Net Realizable Value of Merchandise Inventory. The Company provides allowance for inventory losses whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account, if any, is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

The Company assessed that the net realizable value of inventories is higher than cost hence, the Company did not recognize any losses on write-down of inventories. The carrying values of merchandise inventory amounted to ₱37,628,655 and ₱34,997,970 as at July 31, 2012 and June 30, 2012, respectively (see Note 10).

Estimating Useful Lives of Property and Equipment. The useful life of each item of the Company's property and equipment and computer software is estimated based on the period over which the asset is expected to be available for use. The estimation of the useful life of property and equipment is also based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at least periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limitations on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in these factors and circumstances 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 life of any property and equipment and computer software would increase the recorded depreciation and amortization expense and decrease the carrying amount of property and equipment and computer software.

There were no changes in the estimated useful lives of the Company's leasehold improvement for the month ended July 31, 2012. For the year ended June 30, 2012, the estimated useful life of the Company's leasehold improvements was changed from three years or term of the lease agreements, whichever is shorter, to 20 years or term of the lease agreement, whichever is shorter, to be consistent with the accounting policies used by PPCI. The effect of the change in estimate was a decrease in annual depreciation expense of ₱852,459 for the year ended June 30, 2012. There were no changes in the estimated useful lives of the other components of property and equipment for the month ended July 31, 2012 and the year ended June 30, 2012. The carrying values of property and equipment amounted to ₱23,385,365 and ₱23,954,923 as at July 31, 2012 and June 30, 2012, respectively (see Note 7).

Impairment of Property and Equipment. An impairment review is performed when certain indicators are present. Determining the value of property and equipment and computer software, which requires 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 such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operations of the Company.

While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment indicators were identified for the month ended July 31, 2012 and the year ended June 30, 2012, and as such, no impairment losses were recognized. The net book values of property and equipment amounted to ₱23,385,365 and ₱23,954,923 as at July 31, 2012 and June 30, 2012, respectively (see Note 7).

Estimating Realizability of Deferred Tax Assets. The Company reviews the carrying amounts at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on forecasted taxable profit of the subsequent financial reporting periods. The forecast is based on past results and future expectations on revenues and expenses.

The Company has no unrecognized deferred tax assets as at July 31, 2012 and June 30, 2012. Deferred tax assets recognized in the balance sheets amounted to ₱3,245,931 and ₱3,152,916 as at July 31, 2012 and June 30, 2012, respectively (see Note 15).

4. Cash

This account consists of:

	July 31	June 30
Cash on hand	**₱1,623,621**	₱792,000
Cash in banks	**13,267,825**	11,949,764
	₱14,891,446	₱12,741,764

Cash in banks earn interest at the respective bank deposit rates. Interest income from cash in banks for the month ended July 31, 2012 and the year ended June 30, 2012 amounted to nil and ₱13,256, respectively.

5. Trade and Other Receivables

	July 31	June 30
Trade	**₱417,073**	₱190,356
Receivables from suppliers (see Note 13)	**5,653,543**	5,255,356
Due from related parties (see Note 13)	**1,336,030**	1,893,035
Advances to suppliers and employees	–	50,078
	₱7,406,646	₱7,388,825

The terms and conditions of the above receivables are as follows:

a. Trade receivables include credit card sales transactions, which are noninterest-bearing and are generally collectible within three to five days following the sale.

   For terms and conditions relating to related party receivables, refer to Note 13.

b. Receivables from suppliers pertain to trade discounts given by manufacturers/suppliers to PPCI for undertaking promotional activities including but not limited to provisions of prime space or preferred locations for product display and in-store advertisements, product bundling and product sampling, which are subject to the happening of an event or the fulfillment of certain conditions as agreed between the manufacturers/suppliers and the PPCI. PPCI allocated portions of the trade discount to the Company which will be applied to subsequent suppliers' invoices.

   As of October 11, 2012, about 63% of the outstanding balance of the receivables from suppliers has been applied against suppliers' invoices.

c. Advances to suppliers and employees are noninterest-bearing and are generally settled through invoice deduction for advances to suppliers and through salary deduction for advances to employees.

There were no provisions for doubtful accounts for the month ended July 31, 2012 and the year ended June 30, 2012.

6. Other Current Assets

This account consists of:

	July 31	June 30
Input taxes	**₱5,270,358**	₱6,526,374
Prepaid rent (see Note 8)	**640,472**	640,472
Creditable withholding tax	**120,547**	120,547
Others	**365,408**	108,014
	₱6,396,785	₱7,395,407

7. Property and Equipment

This account consists of:

	July 2012			
	Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of period	₱16,121,851	₱36,000	₱13,729,045	₱29,886,896
Acquisitions during the period	–	–	–	–
Balance at end of period	16,121,851	36,000	13,729,045	29,886,896

	July 2012			
	Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Accumulated Depreciation and Amortization				
Balance at beginning of period	₱4,389,046	₱9,000	₱1,533,927	₱5,931,973
Depreciation and amortization (see Note 11)	447,829	600	121,129	569,558
Balance at end of period	4,836,875	9,600	1,655,056	6,501,531
Net Book Value	₱11,284,976	₱26,400	₱12,073,989	₱23,385,365

	June 2012			
	Office Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	₱4,250,166	₱36,000	₱3,940,925	₱8,227,091
Acquisitions during the year	11,871,685	–	9,788,120	21,659,805
Balance at end of year	16,121,851	36,000	13,729,045	29,886,896
Accumulated Depreciation and Amortization				
Balance at beginning of year	772,982	1,800	697,006	1,471,788
Depreciation and amortization (see Note 11)	3,616,064	7,200	836,921	4,460,185
Balance at end of year	4,389,046	9,000	1,533,927	5,931,973
Net Book Value	₱11,732,805	₱27,000	₱12,195,117	₱23,954,923

8. Other Noncurrent Assets

This account consists of:

	July 31	June 30
Computer software - net of accumulated amortization of ₱529,415 and ₱468,546 as at July 31, 2012 and June 30, 2012, respectively.	₱1,233,995	₱1,294,864
Refundable deposits (see Note 14)	656,357	652,978
Other noncurrent assets	782,421	782,421
	₱2,672,773	₱2,730,263

The refundable deposits paid to the lessors were discounted to its present value using a pre-tax risk-free interest rate based on Philippine Government Zero Coupon Yield. The deposits were discounted using the effective interest rates ranging from 5.9% to 6.4% as at June 30, 2012. The deposits are carried at amortized cost using the EIR method. The excess of the principal amount of the deposit over its fair value is accounted for as prepaid rent, presented as part of "Other current assets" account in the balance sheets, and is amortized over the lease term on a straight-line basis (see Note 6). Interest on the deposits, meanwhile, is accounted for using the EIR method such that as the deposits are amortized using the EIR method and prepaid rent using the straight-line method, there is a profit or loss effect during the year. Accretion of deposit, which was included as part of "Interest income" account in the statements of comprehensive income, amounted to ₱3,379 and ₱38,050 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively.

9. Trade and Other Payables

This account consists of:

	July 31	June 30
Trade	₱46,657,938	₱48,572,826
Accrued expenses:		
Rent (see Note 14)	4,631,745	4,321,694
Others	2,939,200	185,918
Due to related parties (see Note 13)	5,547,312	413,970
Nontrade	4,590,864	6,726,055
Others	14,734	121,786
	₱64,381,793	₱60,342,249

The terms and conditions of the above liabilities are as follow:

a. Trade payables, accrued expenses and other payables are noninterest-bearing and are generally on a 30-day payment term.

   For terms and conditions relating to related party payables, refer to Note 13.

b. Nontrade payables consist of payables for manpower services, repairs and maintenance and professional fees, and are generally settled within one month.

10. Cost of Sales

	July 31 (One Month - see Note 2)	June 30 (One Year)
Merchandise inventory at beginning of period	₱34,997,970	₱14,247,652
Purchases - net of purchase returns, allowances and discounts (see Note 13)	25,712,734	274,739,024
Total merchandise available for sale	60,710,704	288,986,676
Merchandise inventory at end of period	(37,628,655)	(34,997,970)
	₱23,082,049	₱253,988,706

11. Operating Expenses

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Rent (see Note 14)	₱1,063,971	₱10,733,350
Manpower services	854,446	9,892,809
Utilities (see Note 14)	809,623	7,332,957
Depreciation and amortization (see Notes 7 and 8)	630,427	4,806,357

	July 31 (One Month - see Note 2)	June 30 (One Year)
Security services	₱466,935	₱4,176,875
Supplies	196,832	2,410,334
Taxes and licenses	79,322	759,903
Insurance	68,357	40,372
Salaries and benefits	60,651	611,034
Repairs and maintenance	–	1,236,606
Transportation and travel	–	455,574
Advertising	–	351,932
Professional fees	–	244,748
Representation and entertainment	–	184,879
Others (see Note 13)	5,560	643,317
	₱4,236,124	₱43,881,047

12. Other Income

This account consists of:

	July 31 (One Month - see Note 2)	June 30 (One Year)
Rental income	₱3,000	₱30,000
Sampling and listing fees	–	477,236
Marketing support	–	319,643
Display allowances	–	252,903
Others	7,930	537,122
	₱10,930	₱1,616,904

Display allowances and marketing support pertain to income earned by the Company for displaying the products of certain suppliers in the prime areas of the trading facilities.

13. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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 common significant influence.

Significant transactions with related parties include the following:

a. The Company, in the normal conduct of the business, sells and purchases merchandise inventories from and to its related parties. Outstanding balances from these transactions are presented as "Due from related parties" and "Due to related parties" under "Trade and other receivables" and "Trade and other payables" accounts in the balance sheets, respectively.

The following table summarizes these transactions with related parties for the month ended July 31, 2012 and the year ended June 30, 2012:

Related Parties		Sales	Amounts Owed by Related Parties (see Note 5)	Purchases (see Note 10)	Amounts Owed to Related Parties (see Note 9)
PPCI	**July 31**	**₱–**	**₱–**	**₱2,771,416**	**₱3,125,886**
	June 30	–	–	–	–
Puregold Jr Supermarket, Inc. (PG Jr)	**July 31**	–	–	**1,362,108**	**2,069,481**
	June 30	–	–	–	–
S-CV Corporation (SCV)	**July 31**	–	**1,104,015**	–	–
	June 30	14,187,204	1,555,216	–	–
Gant Diamond III Corporation (GDIII)	**July 31**	–	–	–	**105,060**
	June 30	273,583	–	149,184	167,086
Gant Diamond Corporation (GDC)	**July 31**	–	**104,378**	–	–
	June 30	396,838	210,182	128,305	–
Superagora X Corporation (SAX)	**July 31**	–	–	–	–
	June 30	4,370	–	549,212	–
Super Retail VIII Corporation (SRVIII)	**July 31**	–	**127,637**	–	**246,884**
	June 30	1,584,735	127,637	389,227	246,884
	July 31	**₱–**	**₱1,336,030**	**₱4,133,524**	**₱5,547,312**
	June 30	16,455,701	1,893,035	1,215,928	413,970

b. In the normal course of business, the Company obtains from and grants cash advances to other related parties which are noninterest-bearing and are regularly settled within one year. Total advances to related parties, which is presented under "Due from related parties" account in the balance sheets, amounted to ₱1,000,000 as at July 31, 2012 and June 30, 2012.

   Total advances from PPCI and other related parties, which is presented under "Due to related parties" account in the balance sheets, amounted to ₱34,818,838 and ₱35,384,659 as at July 31, 2012 and June 30, 2012, respectively.

c. PPCI allocated certain amount of trade discounts to the Company which amounted to ₱398,187 and ₱5,255,356 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively. These trade discounts were given by manufactures/suppliers to PPCI for fulfilling certain conditions and/or the happening of certain events as agreed between the manufacturers/suppliers and the PPCI (see Note 5).

d. In June 2011, the Company entered into a service agreement for one year and one month with Lynxserv Corporation (LC) wherein the latter will provide transportation and other related services for the deliveries of goods of the Company to and from its branches. Total service fee, which is presented as part of "Others" under "Operating expenses" account in the statements of comprehensive income, amounted to ₱253,000 for the year ended June 30, 2012 (see Note 11). There were no service fees incurred for the month ended July 31, 2012.

The Company, GDC, GDIII, SAX, SCV, SRVIII and LC are subsidiaries of GGCI. PG Jr. is a subsidiary of PPCI.

Terms and Conditions of Transactions with Related Parties
The sales and purchases from related parties are made at normal market prices. Outstanding balances of transactions with related parties at year-end are unsecured, noninterest-bearing, settlement occurs in cash and receivable/payable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the month ended July 31, 2012 and the year ended June 30, 2012, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examination of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company
Effective May 30, 2012, the key management personnel of the Company and PPCI are the same. The compensation of key management personnel is shouldered by PPCI. Prior to May 30, 2012, the administrative function of the Company is handled by GDC. For the month ended July 31, 2012 and the year ended June 30, 2012, there were no compensation of key management personnel.

14. Lease Agreements

The Company as a Lessee

a. The Company has entered into a contract of lease with a third party lessor for a period of 10 years commencing in November 2011 for the building in Guiguinto, Bulacan where one of its trading facilities is located. The monthly rent of ₱65,980 is subject to a 5% escalation rate starting on the fourth year of the lease and every year after. Rent expense charged to operations amounted to ₱75,919 and ₱606,870 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11). The carrying value of security deposit paid, which is presented as part of "Other noncurrent assets" account in the balance sheets, amounted to ₱78,600 and ₱78,119 as at July 31, 2012 and June 30, 2012, respectively (see Note 8).

b. In December 2010, the Company has entered into a sublease contract with K.C. Realty & Development Corp. (KC) for the building where the trading facilities of its Batasan branch is located for a monthly rental of ₱220,000. The lease term is for a period of one year and seven months until June 30, 2012, subject to renewal upon mutual agreement of both parties. In February 2012, the contract was amended to extend the lease term to 10 years with the monthly rent of ₱220,000 subject to an average 10% increase cumulatively commencing in December 2011 and every year thereafter. The carrying value of the security deposit paid to KC, which is presented as part of "Other noncurrent assets" account in the balance sheet, amounted to ₱270,201 and ₱268,573 as at July 31, 2012 and June 30, 2012, respectively (see Note 8).

c. The Company also entered into a lease contract with KC covering the trading facilities where its Antipolo branch is located for a period of 15 years which commenced in December 2011. The monthly rent of ₱367,634 is subject to 6% escalation rate commencing on the second year of the lease and every year thereafter. The carrying value of the related security deposit paid to KC, which is presented as part of "Other noncurrent assets" account in the balance sheets, amounted to ₱307,556 and ₱306,286 as at July 31, 2012 and June 30, 2012, respectively (see Note 8).

Rent expense charged to operations amounted to ₱988,052 and ₱10,126,480 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Notes11).

Related to the leased office space, utilities charged by KC to the Company amounted to ₱25,980 and ₱595,102 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 11).

GGCI and KC are under common shareholders until May 30, 2012.

Accrued rent, included as part of "Accrued expenses" under "Trade and other payables" account in the balance sheets, representing the difference in accounting for rent expense under the straight-line computation and actual payment per contract for all lease agreements amounted to ₱4,631,745 and ₱4,321,694 as at July 31, 2012 and June 30, 2012, respectively (see Note 9).

As at July 31, 2012 and June 30, 2012, the future minimum lease payments covering the trading facilities of all store branches are as follows:

	July 31	June 30
Within one year	**₱9,135,301**	₱9,087,350
More than one year but not more than five years	**57,266,325**	56,945,383
More than five years	**80,703,524**	81,801,726
	₱147,105,150	₱147,834,459

The Company as a Lessor
The Company subleases certain spaces of its trading facilities to various third parties, renewable annually. Rental income under "Other income" account in the statements of comprehensive income amounted to ₱3,000 and ₱30,000 for the month ended July 31, 2012 and the year ended June 30, 2012, respectively (see Note 12).

15. **Income Tax**

Deferred Tax
The components of the Company's deferred tax asset are as follow:

	July 31	June 30
NOLCO	**₱1,856,408**	₱1,856,408
Accrued rent	**1,389,523**	1,296,508
	₱3,245,931	₱3,152,916

The Company has the following NOLCO, which can be deducted against regular corporate income tax due as follows:

Date Incurred	Expiry Date	Amount
June 30, 2011	June 30, 2014	₱2,258,486
June 30, 2012	June 30, 2015	3,929,539
		₱6,188,025

Current Tax
No provision for current income tax has been recognized for the month ended July 31, 2012 and for the year ended June 30, 2012 since the Company is in a tax loss position.

The reconciliation between the benefit from income tax computed at the statutory tax rate and benefit from income tax as shown in the statement of comprehensive income is summarized as follows:

	July 31 (One Month)	June 30 (One Year)
Benefit from income tax at statutory income tax rates	**(₱90,362)**	(₱2,475,671)
Add (deduct) income tax effects of:		
Interest income subjected to final tax	–	(3,977)
Others	**371**	4,278
	(₱89,991)	(₱2,475,370)

Under the provisions of Republic Act No. 8424, "An Act Amending the National Internal Revenue Code, As Amended, and For Other Purposes," corporations are subject to 2% minimum corporate income tax (MCIT) or the RCIT, whichever is higher, beginning on the fourth taxable year immediately following the year in which the corporation commenced business operations. The Company will be subject to MCIT of 2% on gross income in 2015.

16. Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as at July 31, 2012 and June 30, 2012.

	July 31		June 30	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets -				
Loans and receivables:				
Cash	**₱14,891,446**	**₱14,891,446**	₱12,741,764	₱12,741,764
Trade and other receivables[(a)]	**1,753,103**	**1,753,103**	2,083,391	2,083,391
Due from related parties	**1,000,000**	**1,000,000**	1,000,000	1,000,000
Refundable deposits[(b)]	**656,357**	**656,357**	652,978	679,431
	₱18,300,906	**₱18,300,906**	₱16,478,133	₱16,504,586
Financial liabilities -				
Other financial liabilities:				
Trade and other payables[(c)]	**₱59,750,048**	**₱59,750,048**	₱55,957,458	₱55,957,458
Due to related parties	**34,818,838**	**34,818,838**	35,384,659	35,384,659
	₱94,568,886	**₱94,568,886**	₱91,342,117	₱91,342,117

[(a)] *Excludes receivables from suppliers and advances to suppliers which are expected to be settled through invoice deduction and salary deduction, totaling to ₱5,653,543 and ₱5,305,434 as at July 31, 2012 and June 30, 2012, respectively.*
[(b)] *Presented as part of "Other noncurrent assets" account in the balance sheet.*
[(c)] *Excludes statutory liabilities and accrued rent totaling to ₱4,631,745 and ₱4,384,791 as at July 31, 2012 and June 30, 2012, respectively.*

Carrying values of cash, trade and other receivables, due from related parties, trade and other payables and due to related parties approximate their fair values due to the short-term nature of the transactions.

As at July 31, 2012, the movement of the fair value of refundable deposit is not significant. Fair value of refundable deposits is the estimated future cash flows, discounted to 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. Discount rates used range from 5.6% to 6.0% for the year ended July 31, 2012 and June 30, 2012, based on Philippine Government Zero Coupon Yield.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at July 31, 2012 and June 30, 2012, the Company has no financial asset and liability carried at fair value.

17. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, due from related parties and due to related parties. The Company has various other financial assets and liabilities such as trade and other receivables, refundable deposits and trade and other payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing these risks as summarized below:

Credit Risk
Credit risk is the risk that the Company will incur a loss arising from its customers, students or counterparties that fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk that the Company is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

The Company trades only with recognized, creditworthy third parties. Trade receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risks arising from cash in banks, the Company's exposure to credit risks arises from default of the counterparty, with a maximum exposure that is equal to the carrying amount of cash in banks less insurance.

The Company has no significant concentrations of credit risk.

The table below shows the maximum exposure to credit risk for the components of the balance sheet as at July 31, 2012 and June 30 2012:

	July 31		June 30	
	Gross Maximum Exposure[1]	Net Maximum Exposure[2]	Gross Maximum Exposure[1]	Net Maximum Exposure[2]
Cash in banks	₱13,267,825	₱13,267,825	₱11,949,764	₱10,604,947
Trade and other receivables[a]	1,753,103	1,753,103	2,083,391	2,083,391
Due from related parties	1,000,000	1,000,000	1,000,000	1,000,000
Refundable deposits[b]	656,357	656,357	652,978	652,978
	₱16,677,285	₱16,677,285	₱15,686,133	₱14,341,316

[1] *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

[2] *Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

[a] *Excludes receivables from suppliers and advances to suppliers and employees which are expected to be settled through invoice deduction and salary deduction, totaling to ₱5,653,543 and ₱5,305,434 as at July 31, 2012 and June 30, 2012, respectively.*

[b] *Presented as part of "Other noncurrent assets" account in the balance sheets.*

The credit quality of the Company's financial assets is being managed by the Company using the internal credit ratings. Cash in banks amounting to ₱13,267,825 and ₱11,949,764 as at July 31, 2012 and June 30, 2012, respectively, trade and other receivables amounting to ₱649,088 and ₱2,083,391 as at July 31, 2012 and June 30, 2012, respectively, due from related parties amounting to ₱2,104,015 and ₱1,000,000 as at July 31, 2012 and June 30, 2012, respectively, and refundable deposits amounting to ₱656,357 and ₱652,978 as at July 31, 2012 and June 30, 2012, respectively are considered as high grade. These financial assets of the Company are neither past due nor impaired.

The Company has no past due nor impaired and impaired financial assets as at July 31, 2012 and June 30, 2012.

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain adequate funding or is the risk that the Company will encounter difficulty in meeting obligations associated with financial difficulties.

The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and pay for its liabilities with the suppliers. To cover its financing requirements, the Company uses internally generated funds.

As part of its liquidity risk management program, the Company regularly evaluates the projected and actual cash flow information.

The table below summarizes the maturity profile of the Company's financial assets and its financial liabilities used for liquidity management as at June 30.

	July 31				
	On Demand	**1–3 Months**	**4–12 Months**	**More than 1 Year**	**Total**
Financial assets:					
Cash	₱14,891,446	₱–	₱–	₱–	₱14,891,446
Trade receivables[(a)]	–	1,753,103	–	–	1,753,103
Due from related parties	–	–	1,000,000	–	1,000,000
Refundable deposits	–	–	–	656,357	656,357
	₱14,891,446	₱649,088	₱2,104,015	₱656,357	₱18,300,906
Financial liabilities:					
Trade and other payables					
Trade	₱–	₱46,657,938	₱–	₱–	₱46,657,938
Due to related parties	–	5,547,312	–	–	5,547,312
Accrued expenses[(b)]	2,939,200	–	–	–	2,939,200
Non-trade	–	4,590,864	–	–	4,590,864
Others	–	14,734	–	–	14,734
Due to related parties	–	–	34,818,838	–	34,818,838
	₱2,939,200	₱56,810,848	₱34,818,838	₱–	₱94,568,886

	June 30				
	On Demand	1–3 Months	4–12 Months	More than 1 Year	Total
Financial assets:					
Cash	₱12,741,764	₱–	₱–	₱–	₱12,741,764
Trade receivables[(a)]	–	2,083,391	–	–	2,083,391
Due from related parties	–	–	1,000,000	–	1,000,000
Refundable deposits	–	–	–	652,978	652,978
	₱12,741,764	₱2,083,391	₱1,000,000	₱652,978	₱16,478,133
Financial liabilities:					
Trade and other payables					
Trade	₱–	₱48,986,796	₱–	₱–	₱48,986,796
Non-trade	–	6,726,055	–	–	6,726,055
Accrued expenses[(b)]	185,918	–	–	–	185,918
Other[(c)]	58,689	–	–	–	58,689
Due to related parties	–	35,384,659	–	–	35,384,659
	₱244,607	₱91,097,510	₱–	₱–	₱91,342,117

[(a)] *Excludes receivables from suppliers and advances to suppliers and employees which are expected to be settled through invoice deduction and salary deduction, totaling to ₱5,653,543 and ₱5,305,434 as at July 31, 2012 and June 30, 2012, respectively.*

[(b)] *Excludes accrued rent computed under PAS 17 amounting to ₱4,631,745 and ₱4,321,694 as at July 31, 2012 and June 30, 2012, respectively.*

[(c)] *Excludes statutory liabilities amounting to ₱63,097 as at June 30, 2012.*

The Company's current assets amounted to ₱67,323,532 and ₱63,523,966 while current liabilities amounted to ₱99,203,655 and ₱95,726,908 as at July 31, 2012 and June 30, 2012, respectively.

Capital Risk Management Policy
The Company's objectives when managing capital risk are to increase the value of shareholder's investment and maintain steady growth by applying free cash flow to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company's President has overall responsibility for monitoring capital in proportion to risk and makes adjustments to it in light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. The Company is not subject to externally imposed capital requirements.

The Company's objectives, policies or processes as at July 31, 2012 and June 30, 2012 is consistent with the policies of PPCI.

18. Events After the Balance Sheet Date

On August 14, 2012, the BOD of PPCI approved the merger of the Company with PPCI, with PPCI as the surviving entity. As at October 11, 2012, Company is still in the process of securing the approval and filing of necessary documents with the SEC (see Note 1).

COVER SHEET

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SEC Registration Number

LYNXSERV CORP. (A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

Company Full Name

General Luna Street Barangay Ususan, Taguig City

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

Leonardo Dayao	(02) 526-5258
Contact Person	Company Telephone Number

0 6	3 0	A A F S	Last Friday of October
Month	*Day*	(Form Type)	(Annual Meeting)
(Fiscal Year)			

Not applicable

(Secondary License Type, If Applicable)

CRMD	Not applicable
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

6	–	–
Total Number of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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LYNXSERV CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Lynxserv Corporation** is responsible for the preparation and fair presentation of the financial statements for the period ended July 31, 2012 and for the year ended June 30, 2012, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

LEONARDO B. DAYAO
Chairman of the Board

IRAIDA B. DE GUZMAN
President

DENISE MARIA D. CAROLINO
Corporate Financial Officer

Signed this 11th day of October 2012

SUBSCRIBED AND SWORN to before me, this OCT 16 2012 day of __________ 2012 at MANILA affiants exhibited to me their Tax Identification Numbers Leonardo B. Dayao 135-546-815, Iraida B. De Guzman 156-419-202 and Denise Maria D. Carolino 136-576-655.

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Page No. 90
Book No. 60
Series of 2012 __________

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC - CITY OF MANILA
ADMIN. NO. 2011-005 - UNTIL DEC. 31, 201
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MCLE [illegible] NO. III-0016300

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SEC Accreditation No. 0207-F

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Lynxserv Corp.
General Luna Street
Barangay Ususan
Taguig City

Report on the Financial Statements

We have audited the accompanying financial statements of Lynxserv Corp. (a wholly-owned subsidiary of Gant Group of Companies Incorporated), which comprise the statements of financial position as at July 31, 2012 and June 30, 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the one month period ended July 31, 2012 and the year ended June 30 2012, 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.

Auditor's 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 auditor's 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 Lynxserv Corp. as at July 31, 2012 and June 30, 2012, and its financial performance and its cash flows for the one month period ended July 31, 2012 and the year ended June 30, 2012 in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & CO.

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EMMANUEL V. CLARINO
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BOA Accreditation No. 4782; Valid until December 31, 2012
BIR Accreditation No. 08-005144-5-2010
Issued November 5, 2010; Valid until November 5, 2013
PTR No. 3174553
Issued January 2, 2012, Makati City

October 11, 2012
Makati City, Metro Manila

LYNXSERV CORP.

(A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2012 AND JUNE 30, 2012

	July 31, 2012	June 30, 2012
ASSETS		
Current Assets		
Cash (Notes 6, 16 and 17)	**₱119,581**	₱119,581
Receivables (Notes 7, 14, 16 and 17)	**536,403**	1,546,043
Tax credits (Note 8)	**226,517**	226,517
Security deposit (Notes 13, 16 and 17)	**130,000**	–
Total Current Assets	**1,012,501**	1,892,141
Noncurrent Assets		
Property and equipment - net (Note 9)	**405,142**	415,402
Security deposit (Notes 13, 16 and 17)	**–**	130,000
Total Noncurrent Assets	**405,142**	545,402
	₱1,417,643	₱2,437,543
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Notes 10, 13, 16 and 17)	**₱358,155**	₱1,367,795
Advances from related parties (Notes 14, 16 and 17)	**225,771**	225,771
Total Current Liabilities	**583,926**	1,593,566
Equity		
Capital stock	**807,000**	807,000
Retained earnings	**26,717**	36,977
Total Equity	**833,717**	843,977
	₱1,417,643	₱2,437,543

See accompanying Notes to Financial Statements.

LYNXSERV CORP.

(A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE ONE MONTH PERIOD ENDED JULY 31, 2012
AND FOR THE YEAR ENDED JUNE 30, 2012

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
SERVICE INCOME (Notes 13 and 14)	₱–	₱4,481,646
COST OF SERVICES (Notes 11 and 13)	–	2,651,072
GROSS INCOME	–	1,830,574
GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	(10,260)	(1,196,544)
INTEREST INCOME (Note 6)	–	1,145
	(10,260)	(1,195,399)
INCOME (LOSS) BEFORE INCOME TAX	(10,260)	635,175
PROVISION FOR INCOME TAX (Note 15)	–	18,868
NET INCOME (LOSS)	(10,260)	616,307
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱10,260)	₱616,307

See accompanying Notes to Financial Statements.

LYNXSERV CORP.

(A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CHANGES IN EQUITY

FOR THE ONE MONTH PERIOD ENDED JULY 31, 2012
AND FOR THE YEAR ENDED JUNE 30, 2012

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
CAPITAL STOCK - ₱100 par value		
Authorized - 60,000 shares		
Subscribed - 15,000 shares (net of subscription receivable of ₱693,000)	**₱807,000**	₱807,000
RETAINED EARNINGS		
Balance at beginning of period	**36,977**	(579,330)
Net income (loss)	**(10,260)**	616,307
Balance at end of period	**26,717**	36,977
	₱833,717	₱843,977

See accompanying Notes to Financial Statements.

LYNXSERV CORP.

(A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CASH FLOWS

FOR THE ONE MONTH PERIOD ENDED JULY 31, 2012
AND FOR THE YEAR ENDED JUNE 30, 2012

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱10,260)**	₱635,175
Adjustments for:		
Depreciation (Note 9)	**10,260**	133,141
Loss on derecognition of property and equipment (Note 9)	–	45,767
Interest income (Note 6)	–	(1,145)
Operating income before working capital changes	–	812,938
Decrease (increase) in:		
Receivables	**1,009,640**	(1,546,043)
Tax credits	–	(170,602)
Increase (decrease) in -		
Accounts payable and other liabilities	**(1,009,640)**	723,294
Net cash used in operations	–	(180,413)
Income tax paid	–	(18,868)
Interest received	–	1,145
Net cash used in operating activities	–	(198,136)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 9)	–	(85,674)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of advances from related parties	–	(13,846)
Proceeds from issuance of capital stock	–	–
Net cash used in financing activities	–	(13,846)
NET DECREASE IN CASH	–	(297,656)
CASH AT BEGINNING OF PERIOD	**119,581**	417,237
CASH AT END OF PERIOD (Note 6)	**₱119,581**	₱119,581

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Lynxserv Corp. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 26, 2010. The Company is primarily engaged in storage and delivery of products, articles, merchandise, commodities, wares and goods of any kind and description for outbound shipment to supermarkets and other retail stores and outlets. The Company started commercial operations on June 1, 2011.

The Company is a wholly-owned subsidiary of Gant Group of Companies Incorporated (GGCI). Its ultimate parent company is Puregold Price Club, Inc. (Puregold), a company incorporated in the Philippines and whose shares are being traded in the Philippine Stock Exchange, which acquired GGCI in 2012. The registered office address of the Company is General Luna St., Barangay Ususan, Taguig City.

Status of Operations

As at June 1, 2012, the Company has temporarily ceased operations. On September 20, 2012, however, the Board of Directors (BOD) of Puregold approved the merger of the Company with Puregold and GGCI.

The accompanying financial statements as at and for the one month period ended July 31, 2012 was approved and authorized for issue by the Board of Directors (BOD) on October 11, 2012.

2. Basis of Preparation and Statement of Compliance

The accompanying financial statements have been prepared on the historical cost basis. The financial statements are presented in Philippine Peso which is the Company's functional and presentation currency. All amounts are rounded off to the nearest peso except as otherwise indicated.

Moreover, the financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC). PFRS includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company adopted full PFRS because it is a subsidiary of GGCI that prepares its financial statements in compliance with full PFRS.

The financial statements will be used in filing with the regulatory agencies in connection with the Company's application for merger, thus, the comparative July 31, 2012 figures are from one month period instead of one year as required by PFRS.

3. **Changes in PFRS**

Adoption of New and Revised PFRS

The Company adopted new and revised PFRS and Philippine Interpretations effective July 1, 2012. These are summarized below:

PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* – The amendment changed the presentation of items in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

PAS 24, *Related Party Disclosures* (Amended) – The amended standard simplified the definition of a related party by clarifying relationships that are considered to be related parties to assure consistency in the application of the standard.

PAS 32, *Financial Instruments: Presentation – Classification of Rights Issues* (Amended) – Rights issues (and certain options or warrants) are classified as equity instruments when the rights are given pro rata to all existing owners of the same class of an entity's non-derivative equity instruments, or given to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* – The amendment provides guidance on assessing the recoverable amount of a net pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* – The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instrument issued is measured at its fair value. If the fair value cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS

The omnibus amendments to PFRS were issued primarily with a view to removing inconsistencies and clarifying wording.

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

PFRS 7, *Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements* – Additional disclosure on financial assets that have been transferred but not derecognised and the continuing involvement in the derecognised assets is required to enable the user of the financial statements to evaluate related risks.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* – The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- *PFRS 7, Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

These new and revised PFRS have no significant impact on the amounts and disclosures in the financial statements of the Company.

New and Revised PFRS Not Yet Adopted
Relevant new and revised PFRS which are not yet effective for the one month period ended July 31, 2012 and have not been applied in preparing the financial statements are summarized below:

Effective for annual periods beginning on or after January 1, 2013:

- PFRS 13, *Fair Value Measurement* – The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – The standard is the first phase in the replacement of PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39. The completion of this project is expected in the first half of 2012.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRSs, are not expected to have any material effect on the financial statements.

4. Summary of Significant Accounting and Reporting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or financial liability when it becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Classification of Financial Instruments. The Company classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

As at July 31, 2012 and June 30, 2012, the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and 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 classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Company's cash in banks, receivables and security deposit.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and non-interest-bearing advances from related parties.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes accounts payable and other liabilities (excluding taxes payable) and advances from related parties.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the 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 that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

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 the profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments

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

Derecognition of Financial Assets and Liabilities

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

- the Company's rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 Company'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 Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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.

Property and Equipment

Property and equipment are initially measured at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when such cost is incurred if the recognition criteria are met. Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets.

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Number of Years
Office furniture and equipment	3 years
Transportation equipment	5 years
Leasehold improvement	3 years or lease term whichever is shorter

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Impairment of Non-financial Assets

At each reporting date, property and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized in profit or loss.

Capital Stock
Capital stock is measured at par value for all shares issued.

Retained Earnings (Deficit)
Retained earnings (deficit) represent the accumulated earnings, and net of losses from all periods.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Service Income. Service income is recognized when services are rendered.

Interest Income. Revenue is recognized as the interest accrue, taking into account the effective yield on the asset, net of final tax.

Cost and Expense Recognition
Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

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

Company as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Income Taxes
Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in the statements of changes in equity or as other comprehensive loss.

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income 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 period and are recognized to the extent that it has become probable that future taxable income 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 to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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

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

- receivable and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is included as part of "Tax credits" account in the statement of financial positions.

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 common significant influence. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Provisions
Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date
Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The financial statements were prepared in conformity with PFRS which requires management to make estimates and assumptions that affect amounts reported in the financial statements and related notes. In preparing these financial statements, the Company has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The Company believes that the following represent a summary of these significant judgments, estimates and assumptions and related impact and associated risks in the financial statements.

Judgments
In the process of applying the Company'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 financial statements.

Operating Leases. The Company entered into lease contract for an office space and stores. The Company has determined that significant risks and rewards of ownership of the properties are retained by the lessor. Accordingly, the leases are accounted for as operating lease (see Note 13).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimating Allowance for Doubtful Accounts. The Company assesses whether objective evidence of impairment exists for receivables by considering the financial condition and credit history of the counterparty. Moreover, the Company also considers its historical loss experience in assessing collective impairment of receivables. The Company reviews the status of the receivable and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates. An increase in the Company's allowance for impairment of receivables would increase the Company's recorded expenses and decrease current assets.

The carrying amount of receivables amounted to ₱536,403 and ₱1,546,043 as at July 31, 2012 and June 30, 2012, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment. The Company estimates the residual value and useful life of depreciable property and equipment based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. Estimated useful lives are based on the periods over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of the assets and vice versa.

The carrying values of property and equipment as at July 31, 2012 and June 30, 2012 amounted to ₱405,142 and ₱415,402, respectively (see Note 9).

The useful lives of the property and equipment range from three (3) to five (5) years.

Impairment of Non-financial Assets. PAS 36, *Impairment of Assets,* requires that an impairment review be performed when certain impairment indicators are present.

In assessing whether there is any indication that an asset may be impaired, the Company considers the external and internal sources of information. External sources of information includes but not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Company, whether it had taken place during the period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information includes evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Company whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

No impairment loss was recognized for as at and for the one month period ended July 31, 2012 and June 30, 2012. The carrying values of property and equipment as at July 31, 2012 and June 30, 2012 amounted to ₱405,142 and ₱415,402 respectively (see Note 9).

Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting period. This forecast is based on the Company's past results and future expectations on revenues and expenses.

As at July 31, 2012, the Company's unrecognized deferred tax asset amounting to ₱3,078 (see Note 15).

6. Cash

This account consists of:

	July 31, 2012	June 30, 2012
Cash on hand	**₱23,000**	₱23,000
Cash in bank	**96,581**	96,581
	₱119,581	₱119,581

Cash in bank earns interest at the respective bank deposit rates. Interest income earned from bank amounted to nil for the one month period ended July 31, 2012 and ₱1,145 for the year ended June 30, 2012.

7. Receivables

This account consists of:

	July 31, 2012	June 30, 2012
Trade (see Note 14)	**₱536,403**	₱536,403
Advances	**–**	1,009,640
	₱536,403	₱1,546,043

Trade receivables are noninterest-bearing and generally on 30-90 days' terms.

At as June 30, 2012, Advances pertain to cash advances to Superkiosks Corporation, Integrated Access Management Networks Corp. and Onprem Corporation amounting to ₱659,640, ₱200,000 and ₱150,000, respectively, companies previously identified as related parties through common control. These advances were collected in July 2012.

8. Tax Credits

This account consists of:

	July 31, 2012	June 30, 2012
Creditable withholding tax	**₱81,920**	₱81,920
Tax credit from excess tax payment	**77,734**	77,734
Input value-added-tax (VAT)	**66,863**	66,863
	₱226,517	₱226,517

9. Property and Equipment

The movement of this account consists of:

	July 31, 2012 (One Month)		
	Office Furniture and Equipment	**Transportation Equipment**	**Total**
Cost	**₱108,035**	**₱435,500**	**₱543,535**
Accumulated Depreciation			
Balance at beginning of year	**33,775**	**94,358**	**128,133**
Depreciation	**3,002**	**7,258**	**10,260**
Balance at end of year	**36,777**	**101,616**	**138,393**
Carrying Amount	**₱71,258**	**₱333,884**	**₱405,142**

	June 30, 2012 (One Year)			
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvement	Total
Cost				
Balance at beginning of period	₱45,187	₱435,500	₱39,559	₱520,246
Additions	62,848	–	22,826	85,674
Balance at end of period	108,035	435,500	62,385	605,920
Accumulated Depreciation				
Balance at beginning of period	2,823	7,258	1,529	11,610
Depreciation	30,952	87,100	15,089	133,141
Balance at end of period	33,775	94,358	16,618	144,751
Less derecognition of leasehold improvement	–	–	45,767	45,767
Carrying Amount	₱74,260	₱341,142	₱–	₱415,402

As at June 30, 2012, the leasehold improvement with carrying value of ₱45,767, net of accumulated depreciation, was derecognized because the related lease agreement was preterminated in June 1, 2012. Management no longer expects to recover the value of the asset.

10. Accounts Payable and Other Liabilities

This account consists of:

	July 31, 2012	June 30, 2012
Accounts payable	**₱18,134**	₱910,790
Security deposit (see Note 13)	**334,000**	334,000
Accrued expenses	–	116,924
Others	**6,021**	6,081
	₱358,155	₱1,367,795

Others include liability to Pag-ibig, Philhealth, Social Security System and withholding tax expanded and compensation.

11. Cost of Services

For the year ended June 30, 2012, this account consists of:

Manpower expense	₱1,680,877
Rental expense (see Note 13)	715,000
Gasoline and oil	255,195
	₱2,651,072

12. General and Administrative Expenses

This account consists of:

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
Depreciation expense (see Note 9)	₱10,260	₱133,141
Professional fees	–	278,915
Salaries and wages and employee benefits	–	245,648
Outside services	–	187,589
Repair and maintenance	–	171,870
Utilities	–	65,501
Loss on derecognition of property and equipment (see Note 9)	–	45,767
Taxes and licenses	–	24,947
Representation	–	2,817
Others	–	40,349
	₱10,260	₱1,196,544

13. Commitments

Operating Lease

The Company leases a commercial space for a period of one year and one month, with an option to renew, for a fixed monthly rental of ₱65,000. The Company paid a security deposit of ₱130,000. The lease commenced on May 1, 2011. However, on June 1, 2012, the contract was terminated.

Rental expense charged to "Cost of Services" account for the one month period ended July 31, 2012 amounting to nil and ₱715,000 for the year ended June 30, 2012 (see Note 11).

Service Agreement

The Company entered into various service agreements with its Parent and to its subsidiaries for a period of one year and one month, starting June 1, 2011. Under the agreement, the Company committed to arrange and carryout transportation services associated with the shipment of stocks and similar goods to and from the related parties' office and registered branches, subject to certain terms and conditions specified in the Service Agreement.

The security deposit received from the agreement amounted to ₱334,000 is presented under "Accounts Payable and Other Liabilities" account (see Note 10).

14. Related Party Transactions

Terms and Conditions of Transactions with Related Parties

The Company in the normal course of the business has transaction with related parties. Outstanding balances of accounts with related parties at year-end are noninterest-bearing, unsecured and payable in cash and on demand. As at July 31, 2012 and June 30, 2012, the outstanding receivables from related parties are neither past due nor impaired.

a. As discussed in Note 13, the Company has Service Agreement with several related parties for a period of one year and one month commencing June 2011. These transactions are consummated in accordance with established industry practices and terms. Service income and related receivables arising from these transactions are as follow:

	Service Income		Receivables	
	July 30, 2012 (One Month)	June 30, 2012 (One Year)	**July 30, 2012 (One Month)**	June 30, 2012 (One Year)
Gant Diamond III Corporation (GDIII)	**₱–**	₱1,012,000	**₱122,574**	₱122,574
Super Retail VIII Corporation (SRVIII)	–	935,000	**81,369**	81,369
Gant Diamond Corporation (GDC)	–	825,000	**166,479**	166,479
Superagora X Corporation (SAX)	–	737,000	**120,498**	120,498
Super Retail XV Corporation (SRXV)	–	253,000	**45,483**	45,483
	₱–	₱3,762,000	**₱536,403**	₱536,403

b. The Company availed noninterest-bearing, unsecured and payable in cash and on demand, advances from related parties for working capital requirements as follows:

	July 31, 2012	June 30, 2012
Puregold	**₱125,721**	₱125,721
S-CV Corporation (S-CVC)	**100,050**	100,050
	₱225,771	₱225,771

GDIII, SRVIII, GDC, SAX, SRXV and S-CVC are subsidiaries of GGCI.

c. The Company does not have key management personnel, management functions are provided by the Parent Company.

15. Income Tax

The Company is in the taxable loss position for the one month period ended July 31, 2012. Provision for income tax for the one year ended June 30, 2012 pertains to 30% regular income tax. The Company will be subject to minimum corporate income tax of 2% from gross income in its fourth year of operation.

Unrecognized deferred tax asset pertaining to NOLCO amounted to ₱3,078, incurred in 2012 will expire in 2015.

The reconciliation of income tax computed at the applicable statutory tax rate to provision for income tax as shown in the statements of comprehensive income is summarized as follows:

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
Income tax computed at statutory tax rate	₱3,078	₱190,553
Add (deduct) income tax effects of:		
Change in unrecognized deferred tax asset	(3,078)	(171,341)
Interest income already subjected to final tax	–	(344)
	₱–	₱18,868

16. **Financial Risk Management Objectives and Policies**

The Company's financial instruments comprise of cash, receivables, security deposit, and trade and other payables and advances from related parties. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below:

<u>Credit Risk</u>
The Company's exposure to credit risk arising from its financial assets, which comprise cash in banks, receivables and security deposits, arises from the default of the counterparty. The maximum exposure on credit risk arising from default of the counter party to the financial assets is summarized below:

	July 31, 2012	June 30, 2012
Cash in bank	₱96,581	₱96,581
Receivables	536,403	1,546,043
Security deposit	130,000	130,000
	₱762,984	₱1,772,624

Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

As at July 31, 2012 and June 30, 2012, respectively, the aging analysis of financial assets are as follows:

	July 31, 2012					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		30 Days	60 Days	More than 90 Days	Impaired	Total
Cash in bank	₱96,581	₱–	₱–	₱–	₱–	₱96,581
Receivables	536,403	–	–	–	–	536,403
Security deposit	130,000	–	–	–	–	130,000
	₱762,984	₱–	₱–	₱–	₱–	₱762,984

	June 30, 2012					
	Neither Past Due nor Impaired	Past Due but not Impaired 30 Days	60 Days	More than 90 Days	Impaired	Total
Cash in bank	₱96,581	₱–	₱–	₱–	₱–	₱96,581
Receivables	1,009,403	538,403	–	–	–	1,546,043
Security deposit	130,000	–	–	–	–	130,000
	₱1,235,984	₱538,403	₱–	₱–	₱–	₱1,772,624

The tables below show the credit quality of the Company's financial assets that are neither past due nor impaired based on their historical experience with the corresponding debtors as at July 31, 2012 and June 30, 2012, respectively:

	July 31, 2012		
	Grade A	**Grade B**	**Total**
Cash in bank	**₱96,581**	**₱–**	**₱96,581**
Receivables	**–**	**536,403**	**536,403**
Security deposit	**–**	**130,000**	**130,000**
	₱96,581	**₱666,403**	**₱762,984**

	June 30, 2012		
	Grade A	Grade B	Total
Cash in bank	₱96,581	₱–	₱96,581
Receivables	–	1,009,403	1,009,403
Security deposit	–	130,000	130,000
	₱96,581	₱1,139,403	₱1,235,984

Grade A financial assets pertain to those receivables from banks and clients or customers that always pay on time or even before the maturity date. Grade B financial assets includes receivables that are collected on their due dates provided that they were reminded or followed up by the Company.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and advances from related parties. The Company also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The tables below summarize the maturity profile of the Company's financial liabilities as at July 31, 2012 and June 30, 2012 based on contractual undiscounted payments:

	July 31, 2012		
	Due and Demandable	**30 Days**	**Total**
Accounts payable and other liabilities	**₱352,134**	**₱–**	**₱352,134**
Advances from related parties	**225,771**	**–**	**225,771**
	₱577,905	**₱–**	**₱577,905**

**Excluding taxes payable amounting to ₱6,021.*

	June 30, 2012		
	Due and Demandable	30 Days	Total
Accounts payable and other liabilities*	₱360,788	₱995,992	₱1,356,780
Advances from related parties	225,771	–	225,771
	₱586,559	₱995,992	₱1,582,551

**Excluding taxes payable amounting to ₱11,015.*

Capital Management

The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company monitors capital using debt-to-equity ratio, which is total debt divided by total equity.

The debt-to-equity ratio as are as follows:

	July 31, 2012	June 30, 2012
Total liabilities	**₱583,926**	₱1,593,566
Equity	**833,717**	843,977
Debt-to-equity ratio	**0.70:1**	1.89:1

The Company is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies, or processes during the one month period ended July 31, 2012 and the year ended June 30, 2012.

17. **Categories and Fair Values of Financial Instruments**

The following is a comparison by category of the carrying amounts and fair values of the Company's financial instruments that are carried in the statement of financial position:

	July 31, 2012		June 30, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets -				
Loans and receivables:				
Cash in bank	**₱96,581**	**₱96,581**	₱96,581	₱96,581
Receivables	**536,403**	**536,403**	1,546,043	1,546,043
Security deposit	**130,000**	**130,000**	130,000	130,000
	₱762,984	**₱762,984**	₱1,772,624	₱1,772,624

	July 31, 2012 Carrying Amount	July 31, 2012 Fair Value	June 30, 2012 Carrying Amount	June 30, 2012 Fair Value
Financial Liabilities -				
Other financial liabilities:				
Accounts payable and other liabilities (excluding taxes payable)	**₱352,134**	**₱352,134**	₱1,356,780	₱1,356,780
Advances from related parties	**225,771**	**225,771**	225,771	225,771
	₱577,905	**₱577,905**	₱1,582,551	₱1,582,551

Due to the short-term nature of transactions, the fair values of these financial instruments approximate their carrying amounts as at the reporting date.

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SEC Accreditation No. 0207-F

REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Lynxserv Corp.
General Luna Street
Barangay Ususan
Taguig City

We have audited the accompanying financial statements of Lynxserv Corp. (a wholly-owned subsidiary of Gant Group of Companies Incorporated) as at and for the one month period ended July 31, 2012, on which we have rendered our report dated October 11, 2012.

In compliance with Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning more than one hundred (100) shares.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO
Partner
CPA Certificate No. 27455
Tax Identification No. 123-503-505
SEC Accreditation No. 1021-A
Group A; Valid until September 8, 2013
BOA Accreditation No. 4782; Valid until December 31, 2012
BIR Accreditation No. 08-005144-5-2010
Issued November 5, 2010; Valid until November 5, 2013
PTR No. 3174553
Issued January 2, 2012, Makati City

October 11, 2012
Makati City, Metro Manila

COVER SHEET

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SEC Registration Number

S-CV CORPORATION (doing business under the name and style of Gomarket) (A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

Company Full Name

Lot 3, Block 3 Quezon Avenue, San Isidro, Angono, Rizal

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

Leonardo Dayao

Contact Person

(02) 526-5258

Company Telephone Number

0 6 3 0

Month *Day*

(Fiscal Year)

A A F S

(Form Type)

Last Friday of October

(Annual Meeting)

Not applicable

(Secondary License Type, If Applicable)

CRMD

Dept. Requiring this Doc.

Not applicable

Amended Articles Number/Section

Total Amount of Borrowings

6

Total Number of Stockholders

–

Domestic

–

Foreign

To be accomplished by SEC Personnel concerned

File Number

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **S-CV Corporation** is responsible for the preparation and fair presentation of the financial statements for the period ended July 31, 2012 and for the year ended June 30, 2012, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

LEONARDO B. DAYAO
Chairman of the Board

IRAIDA B. DE GUZMAN
President

DENISE MARIA D. CAROLINO
Corporate Financial Officer

Signed this 11th day of October 2012

OCT 1 0 2012

SUBSCRIBED AND SWORN to before me, this _____ day of __________ 2012 at MANILA affiants exhibited to me their Tax Identification Numbers Leonardo B. Dayao 135-546-815, Iraida B. De Guzman 156-419-202 and Denise Maria D. Carolino 136-576-655.

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Book No. 60
Series of 2012 __________

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC CITY OF MANILA
ADMIN. NO. 2011 ... DEC. 31, 2012
ROLL ...
NO. 945 ... MANILA
IBP ... 2011 MANILA
PTR ... 2011 MANILA
MCLE COMPLIANCE NO. III-0016300

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SEC Accreditation No. 0207-F

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
S-CV Corporation
Lot 3, Block 3, Quezon Avenue
San Isidro, Angono, Rizal

Report on the Financial Statements

We have audited the accompanying financial statements of S-CV Corporation (doing business under the name and style of Gomarket, a wholly-owned subsidiary of Gant Group of Companies Incorporated), which comprise the statements of financial position as at July 31, 2012 and June 30, 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the one month period then ended July 31, 2012 and the year ended June 30, 2012, 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.

Auditor's 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 auditor's 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 S-CV Corporation (doing business under the name and style of Gomarket, a wholly-owned subsidiary of Gant Group of Companies Incorporated) as at July 31, 2012 and June 30, 2012, and its financial performance and its cash flows for the one month period ended July 31, 2012 and the year ended June 30, 2012 in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & CO.

Emmanuel V. Clariño
EMMANUEL V. CLARIÑO
Partner
CPA Certificate No. 27455
Tax Identification No. 123-503-505
SEC Accreditation No. 1021-A
Group A; Valid until September 8, 2013
BOA Accreditation No. 4782; Valid until December 31, 2012
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Issued November 5, 2010; Valid until November 5, 2013
PTR No. 3174553
Issued January 2, 2012, Makati City

October 11, 2012
Makati City, Metro Manila

S-CV CORPORATION
(doing business under the name and style of Gomarket)
(A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF FINANCIAL POSITION
JULY 31, 2012 AND JUNE 30, 2012

	July 31, 2012	June 30, 2012
ASSETS		
Current Assets		
Cash (Notes 6, 16 and 17)	₱3,010,432	₱1,530,009
Receivables (Notes 7, 13, 16 and 17)	342,156	238,396
Merchandise inventory - at cost	5,533,390	3,147,346
Input value-added tax (VAT) and other current assets (Note 8)	2,130,644	2,302,978
Total Current Assets	11,016,622	7,218,729
Noncurrent Assets		
Property and equipment - net (Note 9)	7,364,326	7,509,772
Software and licenses (Note 10)	665,160	692,732
Deferred tax asset (Note 15)	4,886,561	4,585,539
Security deposit (Notes 14, 16 and 17)	–	451,071
Other noncurrent assets	539,807	–
Total Noncurrent Assets	13,455,854	13,239,114
	₱24,472,476	₱20,457,843
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 16 and 17)	₱14,179,439	₱9,089,614
Advances from related parties (Notes 13, 16 and 17)	11,940,000	12,312,807
Total Current Liabilities	26,119,439	21,402,421
Equity		
Capital stock	9,754,000	9,754,000
Deficit	(11,400,963)	(10,698,578)
Total Equity	(1,646,963)	(944,578)
	₱24,472,476	₱20,457,843

See accompanying Notes to Financial Statements.

S-CV CORPORATION

(doing business under the name and style of Gomarket)

(A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE ONE MONTH PERIOD ENDED JULY 31, 2012
AND FOR THE YEAR ENDED JUNE 30, 2012

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
SALES	₱2,670,985	₱33,818,893
COST OF SALES (Note 13)	2,471,736	29,704,150
GROSS PROFIT	199,249	4,114,743
GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	1,240,006	15,817,525
OTHER INCOME		
Interest (Note 6)	–	(8,785)
Others	(37,350)	(1,596)
	(37,350)	(10,381)
LOSS BEFORE INCOME TAX	1,003,407	11,692,401
BENEFIT FROM DEFFERED INCOME TAX (Note 15)	(301,022)	(4,585,539)
NET LOSS	702,385	7,106,862
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	₱702,385	₱7,106,862

See accompanying Notes to Financial Statements.

S-CV CORPORATION

(doing business under the name and style of Gomarket)

(A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CHANGES IN EQUITY

FOR THE ONE MONTH PERIOD ENDED JULY 31, 2012

AND FOR THE YEAR ENDED JUNE 30, 2012

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
CAPITAL STOCK - ₱100 par value		
Authorized - 120,000 shares		
Issued - 30,000 shares	**₱3,000,000**	₱3,000,000
Subscribed - 70,000 shares (net of subscription receivable of ₱246,000)		
Balance at beginning of period	**6,754,000**	3,254,000
Additional subscription - 35,000 shares	**–**	3,500,000
Balance at end of period	**6,754,000**	6,754,000
	9,754,000	9,754,000
DEFICIT		
Balance at beginning of period	**(10,698,578)**	(3,591,716)
Net loss	**(702,385)**	(7,106,862)
Balance at end of period	**(11,400,963)**	(10,698,578)
	(₱1,646,963)	(₱944,578)

See accompanying Notes to Financial Statements.

S-CV CORPORATION
(doing business under the name and style of Gomarket)
(A Wholly-owned Subsidiary of Gant Group of Companies Incorporated)

STATEMENTS OF CASH FLOWS
FOR THE ONE MONTH PERIOD ENDED JULY 31, 2012
AND FOR THE ONE YEAR ENDED JUNE 30, 2012

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱1,003,407)**	(₱11,692,401)
Adjustments for:		
Depreciation and amortization (Notes 9 and 10)	**173,018**	1,516,457
Interest income (Note 6)	–	(8,785)
Operating loss before working capital changes	**(830,389)**	(10,184,729)
Decrease (increase) in:		
Receivables	**(103,760)**	(8,243)
Merchandise inventory	**(2,386,044)**	(769,409)
Input VAT and other current assets	**172,334**	(1,096,580)
Increase in trade and other payables	**5,089,825**	3,525,307
Net cash used in operations	**1,941,966**	(8,533,654)
Interest received	–	8,785
Net cash provided by (used in) operating activities	**1,941,966**	(8,524,869)
CASH FLOW FROM AN INVESTING ACTIVITIES		
Increase in other noncurrent assets	**(539,807)**	–
Receipt of security deposit (Note 14)	**451,071**	–
Acquisition of property and equipment (Note 9)	–	(4,389,868)
Additions to software and licenses (Note 10)	–	(575,888)
Cash used in investing activities	**(88,736)**	(4,965,756)
CASH FLOW FROM A FINANCING ACTIVITY		
Increase (Decrease) in advances from related parties	**(372,807)**	10,351,294
Proceeds from subscription of capital stock	–	3,500,000
Cash provided by (used in) financing activities	**(372,807)**	13,851,294
NET INCREASE IN CASH	**1,480,423**	360,669
CASH AT BEGINNING OF PERIOD	**1,530,009**	1,169,340
CASH AT END OF PERIOD (Note 6)	**₱3,010,432**	₱1,530,009

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

S-CV Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 21, 2010. The Company is doing business under the name and style of Gomarket primarily engaged in retailing of goods, wares, merchandise, commodities and other products and operate stores as may be necessary. The Company started commercial operations on December 7, 2010.

The Company is a wholly-owned subsidiary of the Gant Group of Companies Incorporated (GGCI). Its ultimate parent company is Puregold Price Club, Inc. (Puregold), a company incorporated in the Philippines and whose shares are being traded in the Philippine Stock Exchange, which acquired GGCI in 2012. The registered office address of the Company is Lot 3 Block 3 Quezon Avenue, San Isidro, Angono, Rizal.

Status of Operations

The Company's deficit amounted to ₱11,400,963 as at July 31, 2012 and ₱10,698,578 as at June 30, 2012, resulting to a capital deficiency of ₱1,646,963 as at July 31, 2012 and ₱944,578 as at June 30, 2012. On September 20, 2012, however, the Board of Directors (BOD) of Puregold approved the merger of the Company with Puregold and GGCI.

The accompanying financial statements as at and for the one month period ended July 31, 2012 was approved and authorized for issue by the Board of Directors (BOD) on October 11, 2012.

2. Basis of Preparation and Statement of Compliance

The accompanying financial statements have been prepared on the historical cost basis. The financial statements are presented in Philippine Peso which is the Company's functional and presentation currency. All amounts are rounded off to the nearest peso except as otherwise indicated.

Moreover, the financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC). PFRS includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company adopted full PFRS because it is a subsidiary of GGCI that prepares its financial statements in compliance with full PFRS.

The financial statements will be used in filing with the regulatory agencies in connection with the Company's application for merger, thus, the comparative July 31, 2012 figures are from one month period instead of one year as required by PFRS.

3. **Changes in PFRS**

Adoption of New and Revised PFRS
The Company adopted new and revised PFRS and Philippine Interpretations effective July 1, 2012. These are summarized below:

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* – The amendment changed the presentation of items in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

- PAS 24, *Related Party Disclosures* (Amended) – The amended standard simplified the definition of a related party by clarifying relationships that are considered to be related parties to assure consistency in the application of the standard.

- PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues* (Amended) – Rights issues (and certain options or warrants) are classified as equity instruments when the rights are given pro rata to all existing owners of the same class of an entity's non-derivative equity instruments, or given to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* – The amendment provides guidance on assessing the recoverable amount of a net pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* – The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instrument issued is measured at its fair value. If the fair value cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

- Improvements to PFRS

  The omnibus amendments to PFRS were issued primarily with a view to removing inconsistencies and clarifying wording.

  - PFRS 7, *Financial Instruments: Disclosures*
  - PAS 1, *Presentation of Financial Statements*
  - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements* – Additional disclosure on financial assets that have been transferred but not derecognised and the continuing involvement in the derecognised assets is required to enable the user of the financial statements to evaluate related risks.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* – The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- *PFRS 7, Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

These new and revised PFRS have no significant impact on the amounts and disclosures in the financial statements of the Company.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the one month period ended July 31, 2012 and have not been applied in preparing the financial statements are summarized below:

Effective for annual periods beginning on or after January 1, 2013:

- PFRS 13, *Fair Value Measurement* – The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – The standard is the first phase in the replacement of PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39. The completion of this project is expected in the first half of 2012.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS, is not expected to have any material effect on the financial statements.

4. Summary of Significant Accounting and Reporting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or financial liability when it becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Classification of Financial Instruments. The Company classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

As at July 31, 2012 and June 30, 2012, the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and 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 classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Company's cash, receivables and security deposit.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and noninterest-bearing advances from related parties.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes trade and other payables (excluding taxes payable) and advances from related parties.

<u>Impairment of Financial Assets</u>
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the 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 that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

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 the profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments

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

Derecognition of Financial Assets and Liabilities

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

- the Company's rights to receive cash flows from the asset have expired;

- the Company 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 Company 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 Company 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 Company'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 Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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.

<u>Merchandise Inventory</u>
Inventories are valued at the lower of cost and net realizable value (NRV). The costs of inventories are determined using the first-in-first-out method. NRV of inventories is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

At each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its selling price less costs to sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to sell, and an impairment loss is recognized in profit or loss.

<u>Property and Equipment</u>
Property and equipment are initially measured at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when such cost is incurred if the recognition criteria are met. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets.

Depreciation is computed using the straight-line method over five (5) years, except for leasehold improvement, which is depreciated over five years or lease term, whichever is shorter.

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

<u>Impairment of Nonfinancial Assets</u>
At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized in profit or loss.

Capital Stock

Capital stock is measured at par value for all shares issued.

Deficit

Deficit represents the accumulated losses, net of earnings.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Merchandise Goods. Revenue is recognized when the significant risks and rewards of ownership of the merchandise goods have passed to the buyer and the amount of revenue can be measured reliably.

Interest Income. Revenue is recognized as the interest accrue, taking into account the effective yield on the asset, net of final tax.

Cost and Expense Recognition

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of Sales. Cost of sales is recognized as expense when the related good is sold.

General and Administrative. General and administrative expenses constitute cost of administering the business and cost incurred to sell and market goods. These are expensed as incurred.

Operating Lease

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Lease where the lessor retains substantially all the risks and rewards of ownership are classified as operating lease. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income 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 period and are recognized to the extent that it has become probable that future taxable income 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 to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

VAT

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

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

- receivable and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is presented as part of "Input VAT and other current assets" account in the statements of financial position.

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 common significant influence. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date
Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The financial statements were prepared in conformity with PFRS which requires management to make estimates and assumptions that affect amounts reported in the financial statements and related notes. In preparing these financial statements, the Company has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The Company believes that the following represent a summary of these significant judgments, estimates and assumptions and related impact and associated risks in the financial statements.

Judgments
In the process of applying the Company'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 financial statements.

Operating Leases. The Company entered into lease contract for an office space and stores. The Company has determined that significant risks and rewards of ownership of the properties are retained by the lessor. Accordingly, the leases are accounted for as operating lease. (see Note 14).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimating Allowance for Doubtful Accounts. The Company assesses whether objective evidence of impairment exists for receivables by considering the financial condition and credit history of the counterparty. Moreover, the Company also considers its historical loss experience in assessing collective impairment of receivables. The Company reviews the status of the receivable and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates. An increase in the Company's allowance for impairment of receivables would increase the Company's recorded expenses and decrease current assets.

The carrying amount of receivables amounted to ₱342,156 and ₱238,396 as at July 31, 2012 and June 30, 2012, respectively (see Note 7).

NRV of Merchandise Inventory. The Company, in determining the NRV of merchandise inventory, considers any adjustments for obsolescence, which is generally 100% allowance on damaged or a certain percentage if their selling prices have declined. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in allowance for merchandise inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

There was no allowance for merchandise inventory obsolescence recognized in July 31, 2012 and June 30, 2012. The carrying value of merchandise inventory as at July 31, 2012 and June 30, 2012, carried at the lower of costs or NRV amounted to ₱5,533,390 and ₱3,147,346, respectively.

Estimating Useful Lives of Property and Equipment. The Company estimates the residual value and useful life of depreciable property and equipment based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. Estimated useful lives are based on the periods over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of the assets and vice versa.

The carrying values of property and equipment as at July 31, 2012 and June 30, 2012 amounted to ₱7,364,326 and ₱7,509,772, respectively (see Note 9).

Impairment of Non-financial Assets. PAS 36, *Impairment of Assets,* requires that an impairment review be performed when certain impairment indicators are present.

In assessing whether there is any indication that an asset may be impaired, the Company considers the external and internal sources of information. External sources of information includes but not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Company, whether it had taken place during the period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information includes evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Company whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

No impairment loss was recognized for the period July 31, 2012 and June 30, 2012. The carrying values of property and equipment as at July 31, 2012 and June 30, 2012 amounted to ₱7,364,326 and ₱7,509,772, respectively (see Note 9). The carrying values of software and licenses as at July 31, 2012 and June 30, 2012 amounted to ₱665,160 and ₱692,732, respectively (see Note 10).

Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting period. This forecast is based on the Company's past results and future expectations on revenues and expenses.

Deferred tax asset as at July 31, 2012 and June 30, 2012 amounted to ₱4,886,561 and ₱4,585,539, respectively (see Note 15).

6. Cash

This account consists of:

	July 31, 2012	June 30, 2012
Cash on hand	**₱131,000**	₱131,000
Cash in banks	**2,879,432**	1,399,009
	₱3,010,432	₱1,530,009

Cash in banks earns interest at the respective bank deposit rates. Interest income earned from bank amounted to nil for the one month period ended July 31, 2012 and ₱8,785 for the year ended June 30, 2012.

7. Receivables

This account consists of:

	July 31, 2012	June 30, 2012
Trade	**₱–**	₱93,648
Nontrade	**242,106**	–
Advances to:		
Related parties (see Note 13)	**100,050**	100,050
Suppliers	**–**	44,698
	₱342,156	₱238,396

Nontrade receivable consists of cashier shortages and advances to third parties.

8. Input VAT and Other Current Assets

This account consists of:

	July 31, 2012	June 30, 2012
Input VAT	**₱2,130,644**	₱2,131,743
Advance rental	**–**	82,500
Other current assets	**–**	88,735
	₱2,130,644	₱2,302,978

9. Property and Equipment

Movements in this account follow:

	July 31, 2012 (One Month)			
	Office Furniture and Equipment	Selling Furniture and Equipment	Leasehold Improvement	Total
Cost	**₱592,553**	**₱4,265,448**	**₱4,274,747**	**₱9,132,748**
Accumulated Depreciation				
Balance at beginning of period	**152,595**	**991,451**	**478,930**	**1,622,976**
Depreciation	**14,403**	**59,797**	**71,246**	**145,446**
Balance at end of period	**166,998**	**1,051,248**	**550,176**	**1,768,422**
Carrying Amount	**₱425,555**	**₱3,214,200**	**₱3,724,571**	**₱7,364,326**

	June 30, 2012 (One Year)			
	Office Furniture and Equipment	Selling Furniture and Equipment	Leasehold Improvement	Total
Cost				
Balance at beginning of period	₱412,097	₱3,272,898	₱1,057,885	₱4,742,880
Additions	180,456	992,550	3,216,862	4,389,868
Balance at end of period	592,553	4,265,448	4,274,747	9,132,748
Accumulated Depreciation				
Balance at beginning of period	48,078	238,250	89,276	375,604
Depreciation	104,517	753,201	389,654	1,247,372
Balance at end of period	152,595	991,451	478,930	1,622,976
Carrying Amount	₱439,958	₱3,273,997	₱968,609	₱7,509,772

10. Software and Licenses

Movements in this account follow:

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
Cost		
Balance at beginning of period	**₱1,029,491**	₱453,603
Additions	**–**	575,888
Balance at end of period	**1,029,491**	1,029,491
Accumulated Amortization		
Balance at beginning of period	**336,759**	67,674
Amortization	**27,572**	269,085
Balance at end of period	**364,331**	336,759
Carrying Amount	**₱665,160**	₱692,732

Software and licenses are amortized over a period of 3 years.

11. Trade and Other Payables

This account consists of:

	July 31, 2012	June 30, 2012
Trade:		
Related parties (see Note 13)	₱9,455,517	₱5,702,453
Suppliers	233,558	97,923
Nontrade	1,549,442	2,432,481
Accruals	2,408,114	667,752
Others	532,808	189,005
	₱14,179,439	₱9,089,614

Nontrade payable pertains to acquisition of property and equipment, professional fee and utilities. Accruals comprise mainly of utilities, communication, security service, manpower and insurance including accrued rental of ₱17,010 (see Note 14). The accrued rental resulted from recognizing operating lease payments on a straight-line basis over the lease term. Trade and nontrade payables are noninterest-bearing and are normally settled within 30-60 days.

12. General and Administrative Expenses

This account consists of:

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
Utilities	₱267,545	₱2,747,476
Manpower services	251,351	4,396,952
Rent (see Note 14)	215,045	2,629,811
Depreciation and amortization (see Notes 9 and 10)	173,018	1,516,457
Outside services	163,518	1,808,117
Salaries and wages	58,493	199,910
Office supplies	10,718	121,494
Selling supplies	1,458	438,284
Repairs and maintenance	–	996,099
Professional fees	–	447,468
Taxes and licenses	–	317,641
Others	98,860	197,816
	₱1,240,006	₱15,817,525

13. Related Party Transactions

Terms and Conditions of Transactions with Related Parties

The Company in the normal course of the business has transaction with related parties. Outstanding balances of accounts with related parties at year-end are noninterest-bearing, unsecured and payable in cash and on demand. As at July 31, 2012 and June 30, 2012, the outstanding receivables from related parties are neither past due nor impaired.

Significant transactions and the related outstanding balances with related parties follow:

a. Advances to Lynxserv Corporation (LC) amounted to ₱100,050 as at July 31, 2012 and June 30, 2012, respectively. These are presented as part of "Receivables" account in the financial position (see Note 7). No impairment loss was recognized from these advances in July 31, 2012 and June 30, 2012.

b. Purchases of merchandise inventories and the related outstanding payables follow:

	Purchases		Payables	
	July 31, 2012 (One Month)	June 30, 2012 (One Year)	**July 31, 2012 (One Month)**	June 30, 2012 (One Year)
Puregold	**₱3,606,299**	₱95,925	**₱4,519,299**	₱107,435
Super Retail XV Corporation (SRXV)	–	14,187,204	**1,104,015**	1,555,216
Superagora X Corporation (SXC)	–	5,798,033	**2,126,122**	2,126,122
Super Retail VIII Corporation (SRVIII)	–	4,787,281	**1,494,555**	1,610,164
Gant Diamond Corporation (GDC)	–	1,435,970	**211,526**	303,516
	₱3,606,299	₱26,304,413	**₱9,455,517**	₱5,702,453

The related outstanding payables are included in the "Trade and other payables" account in the statement of financial position (see Note 11).

c. Advances from related parties for working capital requirements. Outstanding balances as at July 31, 2012 and June 30, 2012 follow:

	July 31, 2012	June 30, 2012
GGCI	**₱11,690,000**	₱11,690,000
Puregold	–	372,807
Gant Diamond III Corporation (GDC III)	**250,000**	250,000
	₱11,940,000	₱12,312,807

The Company, LC, SRXV, SXC, SRVIII, GDC and GDC III are subsidiaries of GGCI. These entities are related because these are subject to common control.

d. The Company does not have key management personnel for the one month period ended July 31, 2012 and for the year ended June 30, 2012. Management functions are provided by GGCI.

14. Operating Lease Commitment

The Company has various operating lease agreement for commercial space. The lease terms are for a period of five to twelve years, with an option to renew. These leases are subject to an escalation clause of 5% to 15% every year starting on the third year and fourth year of the lease term. Moreover, security deposit amounting to ₱451,071 is paid at start of the lease which will be returned at the end of the lease term.

The future minimum lease payments as at July 31, 2012 and June 30, 2012 are as follows:

	July 31, 2012	June 30, 2012
Within one year	**₱1,907,979**	₱1,904,679
After one year but not more than five years	**5,705,577**	5,826,098
More than five years	**2,774,354**	3,454,169
	₱10,387,910	₱11,184,946

Rental expense charged to "General and administrative expense" account amounted to ₱215,045 in July 31, 2012 and ₱2,629,811 in June 30, 2012.

15. Income Taxes

The components of the Company's recognized deferred tax assets are as follows:

	July 31, 2012	June 30, 2012
NOLCO	**₱4,780,586**	₱4,484,667
Accrued rent (see Note 11)	**105,975**	100,872
	₱4,886,561	₱4,585,539

The following are the details of NOLCO which can carried over and applied against future taxable income:

Year Incurred	Year of Expiry	Amount
2011	2014	₱3,583,945
2012	2015	11,364,946
2013	2016	986,397
		₱15,935,288

The reconciliation of income tax computed at the applicable statutory tax rate to provision for income tax as shown in the statement of comprehensive income is summarized as follows:

	July 31, 2012 (One Month)	June 30, 2012 (One Year)
Income tax computed at statutory tax rate	**(₱301,022)**	(₱3,507,720)
Add (deduct) income tax effects of:		
Movement of unrecognized deferred tax asset	–	(1,075,183)
Interest income already subjected to final tax	–	(2,636)
	(₱301,022)	(₱4,585,539)

The Company is in its second year of operations and is not yet subject to minimum corporate income tax (2% of gross income) until in its fourth year of operation.

16. Financial Risk Management Objectives and Policies

The Company's financial instruments comprise of cash, receivables, security deposit, trade and other payables and advances from related parties. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees policies for managing each of these risks. These are summarized below:

Credit Risk

The Company's exposure to credit risk arising from its financial assets, which comprise cash in bank, receivables and security deposit, arises from the default of the counterparty. The maximum exposure on credit risk arising from default of the counter party to the financial assets is summarized below:

	July 31, 2012	June 30, 2012
Cash in bank	**₱2,879,432**	₱1,399,009
Receivables	**342,156**	238,396
Security deposit	**–**	451,071
	₱3,221,588	₱2,088,476

Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

As at July 31, 2012 and June 30, 2012, the aging analyses of financial assets are as follows:

	July 31, 2012 (One Year)					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		30 Days	**60 Days**	**More than 90 Days**	**Impaired**	**Total**
Cash in bank	**₱2,879,432**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,879,432**
Receivables	**342,156**	**–**	**–**	**–**	**–**	**342,156**
	₱3,221,588	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,221,588**

	June 30, 2012 (One Year)					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		30 Days	60 Days	More than 90 Days	Impaired	Total
Cash in bank	₱1,399,009	₱–	₱–	₱–	₱–	₱1,399,009
Receivables	100,050	138,346	–	–	–	238,396
Security deposit	451,071	–	–	–	–	451,071
	₱1,950,130	₱138,346	₱–	₱–	₱–	₱2,088,476

The tables below show the credit quality of the Company's financial assets that are neither past due nor impaired as at July 31, 2012 and June 30, 2012 based on their historical experience with the corresponding counterparties:

	July 31, 2012		
	Grade A	**Grade B**	**Total**
Cash in bank	**₱2,879,432**	**₱–**	**₱2,879,432**
Receivables	**–**	**342,156**	**342,156**
	₱2,879,432	**₱342,156**	**₱3,221,588**

	June 30, 2012		
	Grade A	Grade B	Total
Cash in bank	₱1,399,009	₱–	₱1,399,009
Receivables	–	100,050	100,050
Security deposit	–	451,071	451,071
	₱1,399,009	₱551,121	₱1,950,130

Grade A financial assets pertain to those receivables from banks and customers that always pay on time or even before the maturity date. Grade B financial assets includes receivables that are collected on their due dates provided that they were reminded or followed up by the Company.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and advances from related parties. The Company also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

The tables below summarize the maturity profile of the Company's financial liabilities as at July 31, 2012 and June 30, 2011 based on contractual undiscounted payments:

	July 31, 2012		
	Due and Demandable	**30 Days**	**Total**
Trade and other payables	**₱14,179,439**	**₱–**	**₱14,179,439**
Advances from related parties	**11,940,000**	**–**	**11,940,000**
	₱26,119,439	**₱–**	**₱26,119,439**

	June 30, 2012		
	Due and Demandable	30 Days	Total
Trade and other payables*	₱–	₱9,070,049	₱9,070,049
Advances from related parties	12,312,807	–	12,312,807
	₱12,312,807	₱9,070,049	₱21,382,856

*Excluding taxes payable amounting to ₱19,565.

Capital Management

The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company monitors capital using debt-to-equity ratio, which is total debt divided by total equity.

The debt-to-equity ratio as at July 31, 2012 and June 30, 2012 are as follows:

	July 31, 2012	June 30, 2012
Total liabilities	**₱26,119,439**	₱21,402,421
Equity (capital deficiency)	**(1,646,963)**	(5,530,117)
Debt-to-equity ratio	**(15.86):1**	(3.87):1

The Company is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies, or processes during the one month period ended July 31, 2012 and the year ended June 30, 2012.

17. **Financial Instruments**

The following is a comparison by category of the carrying amounts and fair values of the Company's financial instruments that are carried in the statement of financial position:

	July 31, 2012		June 30, 2012	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets -				
Loans and receivables:				
Cash in bank	**₱2,879,432**	**₱2,879,432**	₱1,399,009	₱1,399,009
Receivables	**342,156**	**342,156**	238,396	238,396
Security deposit	**–**	**–**	451,071	451,071
	₱3,221,588	**₱3,221,588**	₱2,088,476	₱2,088,476
Financial Liabilities -				
Other financial liabilities:				
Trade and other payables (excluding taxes payable)	**₱14,179,439**	**₱14,179,439**	₱9,070,049	₱9,070,049
Advances from related parties	**11,940,000**	**11,940,000**	12,312,807	12,312,807
	₱26,119,439	**₱26,119,439**	₱21,382,856	₱21,382,856

Due to the short-term nature of transactions, the fair values of these financial instruments approximate their carrying amounts as at the reporting date.

REYES TACANDONG & CO.
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SEC Accreditation No. 0207-F

REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
S-CV Corporation
Lot 3, Block 3, Quezon Avenue
San Isidro, Angono, Rizal

We have audited the accompanying financial statements of S-CV Corporation (doing business under the name and style of Gomarket, a wholly-owned subsidiary of Gant Group of Companies Incorporated) as at and for one month period ended July 31, 2012, on which we have rendered our report dated October 11, 2012.

In compliance with Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning more than one hundred (100) shares.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO
Partner
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SEC Accreditation No. 1021-A
Group A; Valid until September 8, 2013
BOA Accreditation No. 4782; Valid until December 31, 2012
BIR Accreditation No. 08-005144-5-2010
Issued November 5, 2010; Valid until November 5, 2013
PTR No. 3174553
Issued January 2, 2012, Makati City

October 11, 2012
Makati City, Metro Manila