PUREGOLD

23 April 2012

DISCLOSURE DEPARTMENT
The Philippine Stock Exchange
Philippine Stock Exchange Plaza
Ayala Avenue, Makati City

Attention: **Ms. Janet Encarnacion**
Head

Re: **ANNUAL REPORT SEC FORM 17-Q**

GENTLEMEN:

In accordance with Securities and Regulation Code Rule 17 and 68, we are submitting herewith 1st Quarter Report, SEC Form 17-Q, of Puregold Price Club, Inc. for the year 2012.

Thank you.

Very truly yours,

ATTY. CANDY H. DACANAY-DATUON
Corporate Information Officer

2nd Floor Tabacalera Bldg., 900 D. Romualdez St., Paco, Manila, Philippines, 1007
Telefax No.: (632) 523-3055

COVER SHEET

A199813754
SEC Registration Number

PUREGOLD PRICE CLUB, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,
MANILA

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

CANDY DACANAY-DATUON
(Contact Person)

(02) 524-4451/ 523-3055
(Company Telephone Number)

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Month	Day	(Form Type)	Month	Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

PUREGOLD

20 April 2012

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

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

Re: **ANNUAL REPORT SEC FORM 17-Q**

GENTLEMEN:

In accordance with Securities and Regulation Code Rule 17 and 68, we are submitting herewith 1st Quarter Report, SEC Form 17-Q, of Puregold Price Club, Inc. for the year 2012.

Thank you.

Very truly yours,

ATTY. CANDY H. DACANAY-DATUON
Compliance Officer

2nd Floor Tabacalera Bldg., 900 D. Romualdez St., Paco, Manila, Philippines, 1007
Telefax No.: (632) 523-3055

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended .... 31 March 2012
2. Commission identification number.......................... A199813754
3. BIR Tax Identification No...201-277-095
4. Exact name of issuer as specified in its charter.............PUREGOLD PRICE CLUB, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office — Postal Code
   No. 900 Romualdez St., Paco, Manila — 1007
8. Issuer's telephone number, including area code
   (632) 523-3055
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common shares	2,000,000,000

11. Are any or all of the securities listed on a Stock Exchange?
    Yes [/] No [ ]

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

    Common shares — Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

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

    Yes [/] No [ ]

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

    Yes [/] No [ ]

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PUREGOLD PRICE CLUB, INC.

LEONARDO B. DAYAO
President

Date: 20 April 2012

GRACE SY
Assistant Treasurer

Date: 20 April 2012

COVER SHEET

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S.E.C. Registration Number

P U R E G O L D P R I C E C L U B , I N C .

A N D S U B S I D I A R Y

(Group's Full Name)

9 0 0 R o m u a l d e z S t .

P a c o M a n i l a

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

Marissa I. Delos Reyes

Contact Person

524-93-28

Company Telephone Number

1 2 3 1

Month *Day*

A A F S

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached **SECTION A**

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

The following should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Report. The interim financial statements and notes thereto have been prepared in accordance with the generally accepted accounting principles in the Philippines.

Top Key Performance Indicators

The following are the major performance measures used by the Company for the three-month periods ended March 31:

	Hypermarkets		Supermarkets		Discounters	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Total Traffic (1)	14,297,779	11,961,567	4,660,881	2,728,378	953,238	244,955
Average traffic per store per day (2)	2,570	3,055	1,850	1,891	963	808
Total Net Sales (m)	₱8,913	₱7,289	₱1,540	₱864	₱288	₱88
Average Net Ticket (3)	₱623	₱609	₱330	₱317	₱302	₱361
Gross Margin (m)	₱1,448	₱1,169	₱253	₱139	₱40	₱12

(1) The number of transactions per year.
(2) The number of transactions per day and per store.
(3) The amount of net sales divided by traffic.

The following table shows the percentage growth in like-for-like indicators of the Company for the three-month periods ended March 31:

	Hypermarkets		Supermarkets	
	2012	**2011**	**2012**	**2011**
Like-for-like net sales growth	4%	7%	12%	14%
Like-for-like average net ticket growth	6%	5%	5%	4%
Like-for-like traffic growth	-2%	2%	7%	10%

I. Results of Operations

(In millions)	For the Three-Month Periods Ended March 31 2012	2011	% of Change	% of Net Sales
Net Sales	**P10,740**	**P8,241**	**30.3%**	**100.0%**
Cost of Sales	8,999	6,921	30.0%	83.8%
Gross Profit	**1,742**	**1,320**	**31.9%**	**16.2%**
Other Operating Income	288	225	27.9%	2.7%
	2,030	**1,545**	**31.3%**	**18.9%**
Operating Expenses				
Selling	1,147	817	40.5%	10.7%
General and administrative	127	95	33.1%	1.2%
Other operating expenses	122	100	23.0%	1.1%
	1,397	**1,012**	**38.0%**	**13.0%**
Operating Income	**633**	**534**	**18.6%**	**5.9%**
Other income – net	26	9	189.6%	0.2%
Income before income tax	**659**	**542**	**21.4%**	**6.1%**
Income tax expense	190	166	14.5%	1.8%
Net Income	**P469**	**P376**	**24.5%**	**4.4%**

For the three-month period ended March 31, 2012, the Company posted total net sales of P10,740 million for an increase of 30.3% compared to P8,241 million in 2011 of the same period. This was largely due to increase in turnover as a result of opening of new stores in the last three quarters of 2011. As of March 31, 2012, the Company has a total of 101 stores in operation including 62 hypermarkets, 28 supermarkets and 11 discounters. For the last three quarters of 2011, a total of 34 stores were opened including 18 hypermarkets, 10 supermarkets and 6 discounters. In addition, 1 hypermarket was opened in the first quarter of 2012. These new stores account for 17.7% of total net sales for the three months of operation during the year.

Total cost of sales for the period ended March 31, 2012 amounted to P8,999 million, an increase of 30.3% compared to P6,921 in the same period of 2011. This was largely due to the opening of new stores, which was partially offset by increase in conditional discounts from the Company's suppliers.

Other operating income increased by P63 million or 27.9%. 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.

Selling expenses increased by P331 million or 40.5%. 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. .

General and administrative expenses increased by P32 million or 33.1%. 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.

Other operating expenses increased by P23 million or 23.0%. This was largely due to increase in security janitorial and messengerial services as a result of the Company's expansion

Other income - net increased by P17 million or 189.6%. 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 P19 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.

As a result of the foregoing, the Company posted net income of P469 million at the end of March 2012 as compared to P376 million at the end of the same period in previous year, for an increase of 24.5%.

II. Financial Condition

(In millions)	Mar 31 2012	Dec 31 2011	% of Change	% of Total Assets
ASSETS				
Cash & Cash Equivalents	P1,892	P1,955	-3.3%	12.2%
Investments in trading securities	29	24	20.3%	0.2%
Receivables - net	272	410	-33.6%	1.8%
Merchandise inventory	4,256	4,523	-5.9%	27.5%
Prepaid expenses and other current assets	550	536	2.5%	3.6%
Total Current Assets	**6,999**	**7,449**	**-6.0%**	**45.3%**
Property and equipment - net	6,420	6,006	6.9%	41.5%
Deferred tax assets	246	220	11.9%	1.6%
Other noncurrent assets	1,794	3,005	-40.3%	11.6%
Total Noncurrent Assets	**8,461**	**9,231**	**-8.3%**	**54.7%**
Total Assets	**P15,459**	**P16,680**	**-7.3%**	**100.0%**
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	P4,419	P6,235	-29.1%	28.6%
Due to related party	5	9	-39.0%	0.0%
Income tax payable	214	186	14.8%	1.4%
Trust receipts payable	20	21	-7.4%	0.1%
Other current liabilities	194	178	9.1%	1.3%
Total Current Liabilities	**4,851**	**6,629**	**-26.8%**	**31.4%**
Noncurrent accrued rent	740	663	11.6%	4.8%
Retirement benefits liability	88	76	14.8%	0.6%
Total Noncurrent Liabilities	**828**	**739**	**11.9%**	**5.4%**
Total Liabilities	**5,679**	**7,368**	**-22.9%**	**36.7%**
Capital stock	2,150	2,000	7.5%	13.9%
Additional paid in capital	5,169	5,169	0.0%	33.4%
Retained earnings	2,461	2,143	14.9%	15.9%
Total Equity	**9,780**	**9,312**	**5.0%**	**63.3%**
Total Liabilities and Equity	**P15,459**	**P16,680**	**-7.3%**	**100.0%**

WORKING CAPITAL

As of March 31, 2012 and December 31, 2011, the Company's net current assets, were P2,147 million and P820 million, respectively. The Company's current ratio slightly improved from 1.1 in December 2011 to 1.4 in March 2012 significantly due to settlement of trade liabilities.

Current Assets

As of March 31, 2012 and December 31, 2011, total current assets amounted to P6,999 million or 45.3% of total assets, and P7,449 million or 44.7% of total assets, respectively. Cash and cash equivalents amounted to P1,892 million or 12.2% of total assets, lower by P64 million or 3.3% compared to previous year. Most of the available cash was used in financing the Company's expansion during the year. Merchandise inventory comprised the bulk of the Company's current assets which amounted to P4,256 million or 27.5% of total assets at the end of March 2012. Receivables account amounted to P272 million in 2012 or 1.8% of total assets, posting a decline of P138 million or 33.6% from P410 million in 2011. This includes trade and non trade receivables, net of P6 million allowance for impairment losses. Prepaid expenses and other current assets increased by P13 million or 2% at the end of March 2012. This is attributable primarily to rent, insurance and taxes, permits & licenses. Prepaid expenses amounted to P231 million or 1.5% of total assets as of March 2012, higher by P51 million or 28.0% compared to previous year.

Current Liabilities and Provisions

As of March 31, 2012 and December 31, 2011, total current liabilities amounted to P4,851 million or 31.4% 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 P1,816 million or 29.1%. Trade payables declined by P1,587 million relative to settlement of obligations to suppliers. Income tax payable increased by P28 million or 14.8%. Provision for income tax of P166 million at the end of the period and settlement of P189 million, brought the balance payable to Bureau of Internal Revenue to P214 million at the end of March 2012. Trust receipts payable balance declined to P20 million or 0.1% of total assets, after net settlement of P2 million on the outstanding obligation.

III. Sources and Uses of Cash

The Company's primary source of liquidity is cash provided by operating activities and remaining proceeds from IPO. Principal uses of cash are operating expenses and store expansion.

A brief summary of cash flow movements is shown below:

	For the Three-Month Periods Ended March 31	
(In millions)	**2012**	**2011**
Net cash flows used in operating activities	(P718)	(P1,135)
Net cash flows provided by (used in) investing activities	655	(564)
Net cash flows provided by financing activities	-	53
Net decrease in cash and cash equivalents	(P64)	(P1,646)

Net cash used in operating activities amounted to P718 million for the period ended March 31, 2012. This was mainly due to net settlement of obligations to both trade and nontrade suppliers during the period amounting to P1,816 million and income taxes paid amounting to P189 million. On the other hand, receivables and merchandise inventory decrease by P138 million and P267 million, respectively, partially offsetting cash used in operating activities. In 2011, net cash used in operating activities amounted to P1,135 million. This was mainly due to net settlement of obligations to both trade and nontrade suppliers.

Net cash provided by investing activities amounted to P655 million for the period ended March 31, 2012. Other noncurrent assets increased by P1,209 million largely due to restricted short term investments coming from proceeds on IPO. This was offset by acquisitions of equipments, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounting to P551 million relative to store expansions. Net cash used in 2011amounted to P564 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.

Net cash provided by financing activities amounted to P53 million for the period ended March 31, 2011, coming from loans with banks.

IV. Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Due to the company's sound financial condition, there is no foreseeable trend or event that may have a material impact on its short-term or long-term liquidity.
Sources of liquidity - Funding will be sourced from internally generated cash flow and remaining proceeds from IPO.

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

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

(iv) There is no material commitment for capital expenditures other than those performed in the ordinary course of trade of business.

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

(vi) There is no significant element of income not arising from continuing operations.

(vii) The causes for the material changes in the financial statements from 2011 to 2012 are explained in the management's discussion and analysis of operations (I-III), as well as in the accompanying notes to financial statements.

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

BUSINESS

Overview

The company was the second largest retailer among hypermarkets, supermarket and cash and carries in the Philippines based on gross sales in 2010 according to Planet Retail. The Company's customers comprise retail consumers and small business owners who resell products in local neighborhood convenience stores known as "sari-sari" stores, as well as canteens, restaurants, bakeries and drug stores, among others. In addition to focusing on middle to lower income retail consumers, the Company believes it is the first and only hypermarket and supermarket retailer in the Philippines which strategically targets local resellers. The Company also promotes a one-stop shopping concept of having a wide selection of goods to further serve it value-conscious consumers and resellers. With this differentiated business model, the Company established a brand that has become associated with low prices, value-for-money and wide assortment of goods on offer.

Principal Products/Service and Markets

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". Each hypermarket offers 30,000 to 50,000 SKUs. As of March 31, 2012, the hypermarket accounts for 83.0% of the total revenue. During the same cut-off, there are 62 hypermarket stores, 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 TNAP loyalty/membership program.

- SUPERMARKETS. The Company has a supermarket chain know as "Puregold Junior" operated as wholly owned subsidiary, Puregold Junior Supermarket, Inc. since June 2010. The Company's supermarkets are mostly located in residential areas and offer a higher proportion of food to non-food products compares to the Company's hypermarkets. Supermarkets generally cater more to retail consumers rather than resellers. As of March 31, 2012, the Company operates 28 supermarkets and accounts for 14.3% of the total revenue.

- 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 that are intended to be sold quickly at prices lower than at Puregold Price Club or Puregold Junior. As of March 31, 2012, the company has 11 discount stores that accounts for 2.7% of the total revenue.

Distribution methods of Products/Service:

All restocking of the Company's inventory is provided through direct store deliveries using the distribution networks of the Company's suppliers or by cross-docking, which is the moving of cargo from one transport vehicle directly into another with minimal or no warehousing, enabling the Company to dispense with maintaining a costly distribution network for deliveries. To facilitate delivery from smaller scale suppliers with limited distribution capabilities, the Company engages AONE, Inc. to provide cross-docking services. This allows certain suppliers to benefit from a cost effective supply chain as the Company assists them to conveniently outsource part of their delivery obligations.

The Company's stores target customers who live within walking distance of its stores and those who use personal or public transport to shop. The Company provides suitable car parking facilities to accommodate customers who travel to stores by car, and also locates its stores in areas close to main transportation hubs. The Company also offers delivery services to resellers who are unable to travel to the Company's stores.

Competition

The Philippines economy experienced steady growth with nominal GDP growing at a CAGR of 13.8% from 2005 to 2010. According to the EIU, the nominal GDP of the Philippines is expected to grow from US$188.7 billion to US$251.3 billion from 2010 to 2012, representing a CAGR of 15.4%, while the real GDP is expected to grow from US$125.0 billion to US$139.5 billion from 2010 to 2012, representing a CAGR of 5.6%. This growth is expected to be supported by factors such as increasing job creation and employment, increasing overseas remittances and a revival of exports. Consumer spending is positively correlated to economic growth, and according to Planet Retail, consumer spending in the Philippines increased from US$68.4 billion to US$138.8 billion between 2005 and 2010, representing a CAGR of 15.2%. The Philippine retail industry has advanced significantly in the past decade due to factors such as steady economic and population growth, higher disposable incomes and increasing urbanization. According to Planet Retail, retail sales in the Philippines grew from US$48.4 billion to US$95.3 billion between 2005 and 2010, a CAGR of 14.5% and over the same period, grocery retail sales in the Philippines grew from US$33.5 billion to US$64.2 billion, representing a CAGR of 13.9%.

More recently, the global economic recovery and the rapid development of the Philippine economy have contributed to growth of the sector, and major retailers in the Philippines have resumed expansion plans after the economic slowdown. According to Planet Retail, retail sales and modern food retail (MGD Total) in the Philippines are expected to reach US$117.4 billion and US$25.0 billion in 2012, representing a CAGR of 11.0% and 11.3% between 2010 and 2012.

The Company competes with both traditional and modern retail operators on the basis of convenience, presentation, price and additional benefits such as loyalty programs, a wide range and assortment of products for customers of all income levels and high quality customer services. According to Planet Retail, SM Investments, Puregold Price Club, Rustan's, Robinsons Benison Group of Companies and Uniwide are the top market participants in the retail sector among the hypermarket and superstore, supermarket and neighborhood store, cash & carry and wholesale club formats. Each of these stores competes with the Company on the basis of product selection, product quality, customer service, price, store location or a combination of these factors.

Sources of Products

The Company sourced products from over 1,500 regular suppliers. Consistent with industry practice in the Philippines, the Company does not have any exclusive or long-term contracts with suppliers. The Company believes that its business as a whole is not dependent on any single supplier. The Company's three largest food suppliers, Nestlé Philippines, Universal Robina Corporation and Monde Nissin, while three largest non-food suppliers are Procter & Gamble, Unilever Philippines, and Colgate-Palmolive.

Related Parties

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

The Company and Puregold Junior are lessees with respect to 31 lease agreements, over premises where some of the stores are located, with parties controlled by the Co Family.

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

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

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

SECTION A

PUREGOLD PRICE CLUB, INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	Note	March 31 2012	December 31 2011
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 26, 27*	**P1,891,508,498**	P1,955,167,542
Investments in trading securities	*7, 26, 27*	**28,862,815**	24,000,214
Receivables - net	*5, 26, 27*	**272,452,124**	410,357,430
Merchandise inventory	*6*	**4,256,168,320**	4,522,929,064
Prepaid expenses and other current assets	*8*	**549,731,506**	536,409,934
Total Current Assets		**6,998,723,263**	7,448,864,184
Noncurrent Assets			
Property and equipment - net	*9*	**6,420,200,708**	6,005,557,737
Deferred tax assets	*22*	**246,377,716**	220,139,294
Other noncurrent assets	*10, 14, 26, 27*	**1,793,963,538**	3,005,115,075
Total Noncurrent Assets		**8,460,541,962**	9,230,812,106
		P15,459,265,225	P16,679,676,290
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*11, 26, 27*	**P4,418,584,350**	P6,234,585,804
Income tax payable		**213,635,767**	186,076,235
Trust receipts payable	*26, 27*	**19,713,949**	21,299,667
Due to a related party	*20, 26, 27*	**5,404,666**	8,855,585
Other current liabilities	*12, 26, 27*	**194,072,381**	177,912,643
Total Current Liabilities		**4,851,411,113**	6,628,729,934
Noncurrent Liabilities			
Noncurrent accrued rent	*22, 26, 27*	**739,981,192**	662,950,406
Retirement benefits liability	*21*	**87,640,872**	76,356,980
Total Noncurrent Liabilities		**827,622,064**	739,307,386
Total Liabilities		**5,679,033,177**	7,368,037,320
Equity			
Capital stock	*23*	**2,000,000,000**	2,000,000,000
Additional paid in capital	*23*	**5,168,821,728**	5,168,821,728
Retained earnings	*23*	**2,611,410,320**	2,142,817,242
Total Equity		**9,780,232,048**	9,311,638,970
		P15,459,265,225	P16,679,676,290

See Notes to the Consolidated Financial Statements.

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

		For the Three-Month Periods Ended March 31	
	Note	**2012**	2011
NET SALES			
Gross sales		**P10,757,522,120**	P8,253,842,880
Sales discount		**17,167,785**	13,164,753
		10,740,354,335	8,240,678,127
COST OF SALES	*13*	**8,998,764,676**	6,920,603,429
GROSS PROFIT		**1,741,589,659**	1,320,074,698
OTHER OPERATING INCOME	*15*	**288,361,100**	225,418,483
		2,029,950,759	1,545,493,181
OPERATING EXPENSES			
Selling	*16*	**1,147,449,645**	816,923,300
General and administrative	*17*	**127,045,288**	95,450,069
Other operating expenses	*18*	**122,432,870**	99,570,489
		1,396,927,803	1,011,943,858
INCOME FROM OPERATIONS		**633,022,956**	533,549,323
OTHERS EXPENSES (INCOME)			
Finance cost		**149,829**	18,934,817
Others	*19*	**(25,702,358)**	(27,757,393)
		(25,552,529)	(8,822,576)
INCOME BEFORE INCOME TAX		**658,575,485**	542,371,899
INCOME TAX EXPENSE (BENEFIT)	*22*		
Current		**216,220,308**	185,954,571
Deferred		**(26,238,422)**	(20,021,319)
		189,981,886	165,933,252
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P468,593,599**	P376,438,647
EARNINGS PER SHARE	*25*		
Basic earnings per share		**P0.23**	P0.26
Diluted earnings per share		**P0.23**	P0.26

See Notes to the Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

		For the Three-Month Periods Ended March 31	
	Note	2012	2011
CAPITAL STOCK - P1 par value	*23*		
Authorized - 3,000,000,000 shares			
Issued and outstanding - 2,000,000,000 shares in 2011 (1,450,000,000 shares in 2010)			
Balance at beginning of year		P2,000,000,000	P1,450,000,00
Stock issuances during the year - 550,000,000 shares in 2011 (1,068,000 shares in 2010)			-
Stock dividends issuance during the year - 382,000,000 shares in 2010			-
Balance at end of year		2,000,000,000	1,450,000,000
Subscribed - nil shares in 2011 and 2010 (796,081,168 shares in 2009)			
Balance at beginning of year		-	-
Subscriptions during the year		-	-
Stock issuances during the year		-	-
Balance at end of year		-	-
		2,000,000,000	1,450,000,000
ADDITIONAL PAID-IN CAPITAL	*23*	**5,168,821,728**	-
RETAINED EARNINGS			
Balance at beginning of year		**2,142,816,722**	597,822,435
Stock dividends declared and issued	*23*		-
Net income for the year		**468,593,599**	376,438,647
Balance at end of year		**2,611,410,321**	974,261,082
		P9,780,232,049	P2,424,261,082

See Notes to the Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Note	For the Three-Month Periods Ended March 31 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P658,575,485	P542,371,899
Adjustments for:			
Depreciation and amortization	*9, 16*	137,418,632	109,475,893
Interest expense		149,829	18,934,817
Accrued rent		77,030,786	59,078,367
Retirement benefits cost	*17, 21*	11,283,892	6,867,236
Unrealized valuation gain in trading securities	*7, 19*	(4,862,601)	1,554,056
Loss (gain) on disposal of property and equipment	*19*	(249,999)	(300,000)
Dividend income	*19*	(200)	(65,505)
Interest income	*19*	(20,589,559)	(1,649,433)
Gain on insurance claim	*19*		(27,296,510)
Operating income before changes in working capital		858,756,265	708,970,820
(Increase) decrease in:			
Receivables		137,905,306	137,308,656
Merchandise inventory		266,760,742	(157,340,677)
Prepaid expenses and other current assets		(10,991,956)	(7,031,181)
Increase (decrease) in:			
Accounts payable and accrued expenses		(1,817,029,105)	(1,679,312,995)
Trust receipts payable		(1,585,718)	(18,859,828)
Other current liabilities		16,159,738	(97,967,423)
Cash generated from operations		(550,024,727)	(1,114,232,628)
Interest received		20,589,559	1,649,433
Interest paid		(149,829)	(18,934,817)
Income taxes paid		(188,660,694)	(3,462,624)
Net cash provided by in operating activities		(718,245,691)	(1,134,980,636)

Forward

	Note	For the Three-Month Periods Ended March 31	
		2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*9*	(P550,931,960)	(P531,914,079)
Increase in other noncurrent assets		1,208,821,322	(60,195,474)
Decrease (increase) in due from related parties		(3,450,918)	
Dividends received		200	65,505
Proceeds from insurance claim		-	27,296,510
Proceeds from disposal of property and equipment		148,004	852,496
Net cash used in investing activities		654,586,648	(563,895,042)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payments of) loans payable			53,000,000
Net cash provided by (used in) financing activities		-	53,000,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND SHORT-TERM CASH INVESTMENTS		(63,659,043)	(1,645,875,678)
CASH AND CASH EQUIVALENTS AND SHORT-TERM CASH INVESTMENTS AT BEGINNING OF YEAR	*4*	1,955,167,541	1,837,943,774
CASH AND CASH EQUIVALENTS AND SHORT TERM-CASH INVESTMENTS AT END OF YEAR	*4*	P1,891,508,498	P192,068,096

See Notes to the Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Reporting Entity

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

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

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

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

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

Initial Public Offering (IPO)

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

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

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

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

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

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

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

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

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

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

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

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

Rent expenses recognized in profit or loss amounted to P268.56 million and P206.47 million for the three month period ended March 31, 2012 and 2011, respectively (see Notes 15 and 17).

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

Rent income recognized in profit or loss amounted to P49.77 million and P39.34 million for the three month period ended March 31, 2012 and 2011, respectively (see Notes 15 and 16).

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

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

The allowance for impairment losses on receivables amounted to P5.52 million and P5.52 million as of March 31, 2012 and December 31, 2011, respectively. The carrying value of receivables amounted to P272.45 million and P410.35 million as of March 31, 2012 and December 31, 2011, respectively (see Note 6). On the input value added tax, management believes that it is fully realizable; hence, no allowance for impairment losses has been recognized.

Estimating Net Realizable Value (NRV) of Merchandise Inventory. The Group carries merchandise inventory at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (i.e., pretermination of contracts). The estimate of the NRV is reviewed regularly (see Note 7).

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

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

Accumulated depreciation of property and equipment amounted to P1,500.83 million and P1,363.53 million as of March 31, 2012 and December 31, 2011, respectively. Property and equipment, net of accumulated depreciation, amounted to P6,420.20 million and P6,005.57 million as of March 31, 2012 and December 31, 2011, respectively (see Note 10).

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

Deferred tax assets-net amounted to P246.38 million and P220.14 million as of March 31, 2012 and December 31, 2011, respectively (see Note 23).

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

There were no impairment losses of property and equipment and other non-financial assets recognized as of March 31, 2012 and December 31, 2011.

Retirement Benefits. The determination of the Group's obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rate and salary increase rates. In accordance with PFRS, actual results that differ from the assumptions, subject to the 10% corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Group has a net cumulative unrecognized actuarial losses amounting to P66.38 million and P68.22 million as of March 31, 2012 and December 31, 2011, respectively. Retirement benefits liability amounted to P87.64 million and P76.35 million as of March 31, 2012 and December 31, 2011, respectively (see Note 22).

3. Summary of Significant Accounting Policies

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

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

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

- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*, permits rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after February 1, 2010.

- Philippine Interpretation IFRIC - 19, *Extinguishing Financial Liabilities with Equity Instruments*, addresses issues in respect of the accounting by the debtor in a debt for equity swap transaction. It clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a debt for equity swap are consideration paid in accordance with PAS 39 paragraph 41. The interpretation is applicable for annual periods beginning on or after July 1, 2010.

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

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

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

  - PFRS 3, *Business Combinations*. The amendments: (i) clarify that contingent consideration arising in a business combination previously accounted for in accordance with PFRS 3 (2004) that remains outstanding at the adoption date of PFRS 3 (2008) continues to be accounted for in accordance with PFRS 3 (2004); (ii) limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and (iii) expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. The amendments are effective for annual periods beginning on or after July 1, 2010. Early application is permitted and is required to be disclosed.

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

- PFRS 1, *First-time Adoption of PFRS.* The amendments: (i) clarify that PAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first PFRS financial statements; (ii) introduce guidance for entities that publish financial information under PAS 34 *Financial Reporting* and change either their accounting policies or use of the PFRS 1 exemptions during the period covered by their first PFRS financial statements; (iii) extend the scope of paragraph D8 of PFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first PFRS financial statements; and (iv) introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to PFRS for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendments are effective for annual periods beginning on or after January 1, 2011. Early application is permitted and is required to be disclosed.

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

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

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

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

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

New Standard and Amendments to Standards Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for PFRS 9, *Financial Instruments*, which becomes mandatory for the Group's 2015 consolidated financial statement and could change the classification and measurement of financial

assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

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

To be Adopted on January 1, 2012

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

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

To be Adopted on January 1, 2013

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

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

- PFRS 12, *Disclosure of Interests in Other Entities.* PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e.

joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.

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

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

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

- PFRS 9, *Financial Instruments*

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

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

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

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

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes directly attributable transaction costs.

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

The Group had no HTM investments and FVPL financial liabilities as of March 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 Group carries financial assets at FVPL using the fair values. Fair value changes and realized gains and losses are recognized as part of profit or loss. Any interest earned shall be recognized in profit and loss as part of "Other income (expenses)" account. Any dividend income from equity securities classified as FVPL shall be recognized in profit or loss when the right of payment has been established.

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

The carrying amount of financial assets under this category amounted to P24.00 million and P24.00 million as of March 31, 2012 and December 31, 2011, respectively (see Note 7).

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

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

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

The Group's cash and cash equivalents, short-term cash investments, receivables and security deposits are included in this category (see Notes 4, 5 and 10).

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

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

The Group's accounts payable and accrued expenses, trust receipts payable and other current liabilities are included in this category (see Notes 11, 27 and 12).

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Offsetting Financial Instruments

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

Merchandise Inventory

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

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

Property and Equipment

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

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

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

	Number of Years
Building	15 – 30
Computer software	5 – 10
Furniture and fixtures	3 – 20
Office and store equipment	2 – 10
Leasehold improvements	15-20 years or term of the lease, whichever is shorter

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

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

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

Goodwill

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

Impairment of Assets

Financial Assets

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

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

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

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

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

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

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

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

All impairment losses are recognized in profit or loss.

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

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

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

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

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

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

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

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

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

Concession income represents income generated from sale of concessionaires' items.

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

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

Costs and expenses are recognized when incurred.

Borrowings and Borrowing Costs
All loans and borrowings are initially recognized at the fair value of the consideration

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

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

Income Taxes

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

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

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

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

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

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

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

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

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

Leases

Group as Lessee

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

Group as Lessor

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

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions. It includes companies in which one or more of the directors and/or controlling stockholders of the Group either have a beneficial controlling interest or are in a position to exercise significant influence therein.

Segment Reporting

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

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

Provisions and Contingencies

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

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

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

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period, after retroactive adjustment for stock dividend declared in the current period if, any. Diluted earnings per share is also computed in the same manner as the aforementioned, except that, any outstanding options are further assumed to have been exercised at the beginning of the period.

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**March 31 2012**	December 31 2011
Cash on hand		**P256,000,686**	P301,772,031
Cash in banks	*28*	**1,235,260,312**	752,855,511
Money market placements	*28*	**400,247,500**	900,540,000
	29	**P1,891,508,498**	P1,955,167,542

Cash in banks earn annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. Maturity dates of these investments average 30 days only with an annual interest of 3.30% to 3.82% in March 31, 2012 and 3.65% to 3.82% in December 31, 2011.

5. Receivables

This account consists of:

	Note	**March 31 2012**	December 31 2011
Trade receivables		**P202,572,233**	P345,859,643
Non-trade receivables		**75,401,667**	70,019,563
		277,973,900	415,879,206
Less allowance for impairment losses		**5,521,776**	5,521,776
	28, 29	**P272,452,124**	P410,357,430

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

The aging of trade receivables is as follows:

	March 31 2012	December 31 2011
Current	**138,549,740**	P181,489,610
Past due 1- 30 days	**38,121,403**	137,182,511
Past due 31- 60 days	**24,774,292**	25,099,925
More than 60 days	**1,126,798**	2,087,597
	P202,572,233	P345,859,643

Majority of trade receivables are credit card transactions. The Group partners only with reputable credit card companies affiliated with major banks. Management believes that except for the accounts provided with allowance for impairment losses amounting to P5,521,776 and P5,521,776 as of March 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	March 31 2012	December 31 2011
Beginning balance		**P5,521,776**	P4,113,892
Impairment losses recognized during the year	*19*	**0**	1,407,884
Ending balance		**P5,521,776**	P5,521,776

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 March 31, 2012 and December 31, 2011 is lower than NRV

7. Investments in Trading Securities

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

The movements in investments in trading securities are as follows:

Cost	*Note*	**March 31 2012**	December 31 2011
Balance at beginning of the year		**P13,350,902**	P13,338,402
Additions during the year		**-**	12,500
Balance at end of the year		**13,350,902**	13,350,902
Valuation adjustments			
Balance at beginning of the year		**10,649,312**	10,453,998
Unrealized valuation gain on financial assets for the year	*21*	**4,862,601**	195,314
Balance at end of the period		**15,511,913**	10,649,312
	28, 29	**P28,862,815**	P24,000,214

8. Prepaid Expenses and Other Current Assets

This account at consists of:

	March 31 2012	December 31 2011
Prepaid expenses	**P230,806,897**	P180,290,688
Input value added tax - net	**318,924,609**	356,119,246
	P549,731,506	P536,409,934

The details of prepaid expenses are as follows:

	March 31 2012	December 31 2011
Rent	**P117,782,350**	P103,045,134
Taxes and licenses	**67,330,331**	26,516,695
Insurance	**37,777,782**	44,346,078
Repairs and maintenance	**7,826,434**	6,382,181
Professional fee	**90,000**	-
	P230,806,897	P180,290,088

Input value added tax 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 value added tax.

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	P97,510,057	P608,963,948	P1,446,481,622	P822,259,301	P19,518,315	P152,528,948	P5,061,690,931
Additions	382,692,266	17,757,704	223,684,358	583,116,974	563,586,311	339,619,908	227,278,441	2,337,735,962
Reclassification	95,817,572	-	27,675,170	9,193,521	19,340,235	(10,132,417)	(141,894,081)	-
Disposals	(270,423)	-	(1,514,804)	(8,566,805)	(182,917)	-	-	(10,534,949)
Adjustments	-		(4,744,747)	(14,233,115)	(825,151)			(19,803,013)
Balance, December 31, 2011	2,392,668,155	115,267,761	854,063,925	2,015,992,197	1,404,177,779	349,005,806	237,913,308	7,369,088,931
Additions	120,946,792	1,585,597	60,079,799	81,269,647	228,447,967	29,374,348	31,394,643	553,098,793
Reclassification	(17,827,838)	-	1,128,621	(19,692)	(176,483,750)	3,466	193,199,192	-
Disposals	-	-	(44,415)	(1,086,829)	(80)	-	-	(1,131,323)
Adjustments	(17,857)	-	-	-	-	-	-	(17,857)
Balance, March 31, 2012	**2,495,769,252**	116,853,358	**915,227,931**	**2,096,155,323**	**1,456,141,916**	378,383,620	462,507,143	7,921,038,544
Accumulated **depreciation and amortization:**								
Balance, January 1, 2011	125,262,582	42,085,588	136,406,449	487,887,513	124,541,167	-	-	916,183,299
Depreciation and amortization	71,441,287	5,704,081	65,285,892	268,563,608	45,979,385	-	-	456,974,253
Reclassification	(2,707,986)		12,244,038	(2,491,094)	(7,044,958)			-
Disposal	-	-	(301,371)	(3,159,502)	(123,989)			(3,584,862)
Adjustment	(2,164)		(308,312)	(5,731,023)				(6,041,499)
Balance, December 31, 201	193,993,719	47,789,669	213,326,696	745,069,502	163,351,605			1,363,531,191
Depreciation and amortization	21,234,756	1,508,251	18,979,446	78,094,900	18,249,985	-	-	138,067,338
Reclassification	(272,448)	-	717,147	(9,299)	(435,401)	-	-	-
Disposals	-	-	(23,261)	(737,285)	-	-	-	(760,546)
Adjustments	(149)	-	-	-	-	-	-	(149)
Balance, March 31, 2012	**214,955,878**	49,297,920	**233,000,028**	822,417,819	**181,166,189**	-	-	**1,500,837,834**
Carrying **amount:**								
December 31, 2011	P2,198,674,436	P67,478,092	P640,737,229	P1,270,922,695	P1,240,826,173	P349,005,805	P237,913,308	P6,005,557,737
March **31, 2012**	**P2,280,813,374**	**P67,555,438**	**P682,227,903**	**P1,273,737,504**	P1,274,975,727	**P378,383,620**	**P462,507,142**	**P6,420,200,708**

10. Other Noncurrent Assets

This account consists of:

	Note	**March 31 2012**	December 31 2011
Restricted cash and cash equivalents		**P1,016,503,299**	P2,286,731,084
Security deposits	*16, 28, 29*	**614,534,825**	567,262,531
Noncurrent advance rent		**131,791,346**	120,840,663
Accrued rent income		**11,884,787**	11,031,516
Available-for-sale financial assets	*28, 29*	**7,879,160**	7,879,160
Goodwill		**11,370,121**	11,370,121
		P1,793,963,538	P3,005,115,075

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

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

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

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

11. Accounts Payable and Accrued Expenses

This account consists of:

	March 31 2012	December 31 2011
Trade	**P2,634,459,467**	P4,438,012,776
Nontrade	**1,126,488,634**	825,159,588
Accrued expenses		
Advances from concessionaires	**233,297,071**	449,512,119
Manpower agency services	**242,368,542**	299,189,527
Accrued utilities	**55,612,364**	89,994,944
Withholding taxes payable	**47,373,848**	68,477,321
Accrued 13th month pay	**10,837,960**	-
Accrued rent	**5,849,302**	4,035,783
Professional fees	**585,000**	45,807,263
Accrued interest	**28,758**	30,448
Accrued fixed assets	**7,582,644**	12,823,655
Underwriter incentive	**43,125,000**	-
Others	**10,975,760**	1,542,380
	P4,418,584,350	P6,234,585,804

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

Underwriter incentive pertains to the discretionary fees to the underwriters to be paid based on the level of satisfaction with the services provided to the Company. The management approved to pay 0.5% of the gross proceeds of the transaction.

12. Other Current Liabilities

This account consists of:

	March 31 2012	December 31 2011
Deposits	**P78,813,173**	P90,497,575
Exclusive fund	**25,605,325**	44,676,397
Promotion fund	**77,296,702**	27,640,557
Gift cheques	**11,072,300**	13,878,380
Cashier's bond	**1,284,881**	1,219,735
	P194,072,381	P177,912,643

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

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

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

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

13. Cost of Sales

This account for the three months ended March 31 consists of:

	Note	**2012**	2011
Beginning inventory	*7*	**P4,522,929,063**	P2,934,251,679
Add purchases		**8,732,003,884**	7,077,944,106
Total goods available for sale		**13,254,932,947**	10,012,195,785
Less ending inventory	*7*	**4,256,168,271**	3,091,592,356
		P8,998,764,676	P6,920,603,429

14. Lease Agreements

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

Company as Lessee

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

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Cuevasville Realty and Dev't Corp.	January 1, 2004	March 31, 2019	Puregold Imus	Building	5% beginning on the 3rd to 6th year, 8% on the 7th to 10th year & 10% on the 11th to 15th year
Pointer Construction International Corp.	April 28, 2003	October 27, 2024	Puregold Makati	Land	5% from October 28, 2012 to October 27, 2019 & 7.5% from October 28, 2019 to October 27, 2024
One World Land and Properties Corp.	October 28, 2009	October 27, 2024	Puregold Makati	Land	5% from October 28, 2012 to October 27, 2019 & 7.5% from October 28, 2019 to October 27, 2024
Cosco Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Pasig	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
VFC Land Resources, Inc.	July 1, 2010	June 30, 2035	Puregold Biñan	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year, 6% on the 21st to 25th year
Bedrock Realty & Investment Corp.	April 21, 2004	April 20, 2019	Puregold Commonwealth	Land	5% beginning on the 3rd year & 8% beginning on the 11th to15th year
Bedrock Realty & Investment Corp.	August 1, 2010	April 20, 2019	Puregold Commonwealth	Parking area	5% beginning on the 2nd year onwards
RG Francisco Realty, Inc. and The Heirs of Avelino Francisco	July 1, 2005	December 31, 2037	Puregold Sta. Ana	Land	5% beginning on the 8th year & every two years thereafter
Cosco Prime Holdings, Inc.	June 1, 2011	May 31, 2036	Puregold Araneta	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Kalaw- Ledesma, Inc.	August 15, 2005	December 31, 2017	Puregold Malate	Building	5% every year beginning on the 2nd year
Manila Traffic and Parking Bureau	January 1, 2012	June 30, 2012	Puregold Malate	Parking area	No escalation.
First Landlink Asia Development Corporation	October 15, 2009	October 14, 2024	Puregold Libertad	Building	7% starting on October 15, 2010 & every 2 years thereafter
Pajusco Realty Corporation	July 1, 2010	June 30, 2035	Puregold Sucat	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Baliuag	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Cosco Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold QI central	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Cosco Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Taytay	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Roma Realty Corporation and I. S. Properties, Inc.	May 16, 2007	September 15, 2027	Puregold Meycauyan	Building	3% on the 8th year & every year thereafter
Bellagio Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Agora	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Monumento	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Twins Realty & Properties Corporation	December 1, 2007	November 30, 2032	Puregold Malolos	Land	2% annually beginning on the 7th year
Embarcadero Land Ventures, Inc.	October 25, 2011	July 24, 2032	Puregold Legaspi	Building	3% on the 4th & 5th years, 4% on the 6th & 7th years, 5% on the 8th, 9th & 10th years while the 11th to 20th year will be subject for adjustment taking into account the rental rate in the 10th year
Island Biscuit, Inc.	January 2, 2008	January 1, 2025	Puregold Zabarte	Land	5% beginning on the 4th year, 7.5% beginning on the 7th year & 10% beginning on the 11th year
Crownland Resources, Inc.	July 14, 2008	July 13, 2043	Puregold San Mateo	Land	3% annually starting on the 11th year, 5% annually starting on the 21st year & 10% annually starting on the 31st year
Cosco Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold GMA Cavite	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Bellville Development, Inc.	March 4, 2010	July 3, 2022	Puregold Alabang	Building	5% starting on the 2nd year up to the 5th year & 6% starting on the 6th year up to the 12th year
VSC Commercial Enterprises, Inc.; Victorino C. Cruz	June 15, 2008	June 14, 2038	Puregold Sta. Mesa	Land	5% beginning on the 6th year & 7.5% beginning on the 21st year
Pajusco Realty Corporation	July 1, 2010	June 30, 2035	Puregold San Pablo	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Q Plaza Corporation	December 1, 2008	November 30, 2023	Puregold Cainta	Building	5% every year starting on the 5th year
Benisons Shopping Center, Inc.	November 25, 2009	February 24, 2025	Puregold Divisoria	Building	3% every year starting on the 4th year, 5% every year starting on the 7th year & 7% every year starting on the 11th year
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Bacoor	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 24th year
Solar Plastic Corporation	March 20, 2009	March 19, 2034	Puregold Mindanao Ave.	Land	2% every year starting on the 4th year, 3% every year starting on the 6th year, 5% every year starting on the 11th year & 6% every year starting on the 17th year
KMC Realty Corp.	July 1, 2010	June 30, 2035	Puregold North Commonwealth	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Shaw Cinema, Inc	August 11, 2009	August 10, 2029	Puregold Novaliches	Building	3% beginning on the 5th year, 4% beginning on the 9th year, 5% beginning on the 13th year & 6% beginning on the 16th year
Ellimac Prime Holdings, Inc.	July 1, 2010	June 30, 2035	Puregold Paco	Land	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
VFC Land Resources, Inc.	December 1, 2011	November 30, 2036	Puregold Paso de Blas	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
San- An Realty Development Corp.	July 31, 2009	January 30, 2020	Puregold Baguio	Building	5% starting on the 6th year & every year thereafter
Pajusco Realty Corporation	July 1, 2010	June 30, 2034	Puregold Angeles	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 24th year
Sps. Jovencio S. Fojas Jr. and Lorraine T. Fojas; Sps. Edwin S. Fojas and Victoria M. Fojas; Sps. Macario S. Fojas and Adela S. Fojas and Maria Myrna S. Fojas; Priscilla N. Fojas and Sonia N. Fojas; Heirs of Felicidad Ner	July 23, 2009	July 22, 2034	Puregold Tanza	Land	3% beginning on the 4th year, 5% beginning on the 9th year & 7% beginning on the 14th year until the 25th year
Tomas B. Dangan and Norma C. Dangan	January 27, 2010	January 26, 2035	Puregold Extra Apalit	Building	3% beginning on the 3rd year & 4% beginning on the 6th year until to the 10th year
Pajusco Realty Corporation	January 1, 2012	December 31, 2036	Puregold Taguig	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Sps. Reynaldo C. Tobias and Teresita A. Tobias; Domingo C. Cruz Jr.; Angelica Halili- Cruz	January 1, 2010	March 31, 2030	Puregold Sta Maria	Building	5% starting on the 3rd year & every 2 years thereafter
Henry Ho Uy	January 12, 2010	January 11, 2030	Puregold Calamba	Building	10% beginning on the 3rd year & every 2 years thereafter
Servic Trading and Hauling Services, Inc.	July 1, 2010	September 30, 2027	Puregold C. Raymundo	Building	4% every year starting on the 3rd year
Ellimac Prime Holdings, Inc.	May 1, 2011	April 30, 2036	Puregold Guiginto	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Sps. Alfred L. Reyes and Maxima A. Reyes	August 24, 2009	February 23, 2035	Puregold Extra Malabon	Building	2% beginning on the 3rd year, 4% beginning on the 5th year & 5% beginning on the 11th year until the 25th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Sps. Ophelia T. Flores and Gamaliel A. Flores	June 14, 2010	June 13, 2030	Puregold La Trinidad, Benguet	Land	3% beginning on the 3rd year, 4% beginning on the 6th year, 5% beginning on the 9th year & 6% beginning on the 13th year
TDC Marketing Development Corporation	October 1, 2010	January 31, 2036	Puregold Susano	Building	2% beginning on the 2nd year, 3% beginning on the 6th year, 4% beginning on the 11th year, 5% beginning on the 16th year & 6% beginning on the 21st year until the 25th year
VFC Land Resources, Inc.	October 1, 2010	September 30, 2035	Puregold Baesa	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Sps. Eduardo D. Delos Angeles and Bliss Tiu; Sixto D.Delos Angeles; Sps. Antonio D. Delos Angeles and Ma. Concepcion Navarro and Gloria Dizon Vda. Delos Angeles	September 9, 2010	July 7, 2041	Puregold Montalban	Land	3% beginning on the 6th year, 4% beginning on the 11th year & 5% beginning on the 19th year until the 30th year
Luisito A. Santiago	August 3, 2010	June 30, 2015	Puregold Extra A. Bonifacio	Building	5% every 3 years
VFC Land Resources, Inc.	January 1, 2012	December 31, 2036	Puregold Balintawak	Building & Parking Area	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
Pamela Justine P. Co	June 1, 2011	May 31, 2036	Puregold Extra Cabuyao	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year
ALDP Land & Construction Corporation	August 17, 2011	February 16, 2037	Puregold Naga	Building	8% on the 4th year & 9% beginning on the 7th year & every 36 months thereafter
Sps. Ellen Laddaran Zhou and Teddy Chiu (Zhou QI)	January 21, 2011	April 5, 2026	Puregold Capas	Building	5% starting on the 3rd year & every 2 years thereafter
Pajusco Realty Corporation	June 1, 2011	May 31, 2036	Puregold Candelaria	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year & 6% on the 21st to 25th year

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

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Macy's Inc.	May 3, 2012	May 2, 2022	Puregold Putatan, Muntinlupa	Building	3% annually beginning on the 3rd year until the 5th year & 5% annually beginning on the 6th year until the 10th year
Beatrice Realty Development Company, Inc.	February 1,2012	November 30,2042	Puregold Sto. Domingo, Cainta	Land	3% annually beginning on the 8th year & 4% annually beginning on the 26th year
7'S Buan Supermarket Inc.	July 15, 2011	November 14, 2031	Puregold Arayat, Pampanga	Land with Improvement	3% annually beginning on the 6th year up to the 10th year, 4% annually beginning on the 11th year up to the 15th year & 5% annually beginning on the 16th year up to the 20th year
Ruby Ticman; Rublou Supermarket, Inc.	November 25, 2011	November 24, 2026	Puregold Extra Cogeo, Antipolo	Building	3% beginning on the 3rd year & every year thereafter
Rublou Inc.; Rublou Supermarket, Inc.	November 25, 2011	November 24, 2026	Puregold Extra Brookside, Cainta	Building	3% beginning on the 3rd year & every year thereafter
Daystar Holdings Corporation	February 21, 2012	May 20, 2032	Puregold Osmeña Highway	Land & Building	3% beginning on the 3rd year & every year thereafter
Edgardo D. Del Rosario, Sps. Christina G. Del Rosario-Crisostomo and Butch Edward Crisostomo; Sps. Peter Mike Edgar G. Del Rosario II and Dona Mae Liquigan Del Rosario and Sps. Michael Paul G. Del Rosario and Joanne Ahorro Del Rosario	30 yrs. & 6 mos. commencing upon turn over of the leased premises		Puregold San Francisco, Del Monte	Building	5% every year beginning on the 6th year
Vision Properties Development Corporation	March 14, 2012	July 13, 2037	Puregold Molino, Bacoor Cavite	Building	3% beginning on the 6th year up to the 10th year & 4% beginning on the 11th year up to the 25th year
Sps. Evaristo A. Singson IV and Mary Ann J. Singson; Shiela Marie A. Singson	February 9, 2012	February 8, 2038	Puregold Poblacion Vigan	Land	3% beginning on the 5th year up to the 10th year, 4% beginning on the 11th year up to the 15th year & 5% beginning on the 16th year up to the 25th year

LESSOR	CONTRACT PERIOD		STORE	SUBJECT OF LEASE	ESCALATION CLAUSE
Allied Business Corporation	January 28, 2012	September 27, 2037	Puregold Roxas, Isabela	Building	5% beginning on the 3rd year & every 2 years thereafter
Sps. Gabriel C. Alberto and Conchita B. Alberto; Sps. Arturo C. Alberto and Elsa S. Alberto; Sps. Ismael C. Alberto and Edna S. Alberto; Nora C. Alberto-Martin; Arleta C. Alberto	36 yrs. commencing upon turn over of the leased premises		Puregold Calapan City, Mindoro	Land	3% beginning on the 4th year & every 3 years thereafter, 4% beginning on the 16th year & every 3 years thereafter & 5% beginning on the 22nd year & every 3 years thereafter
Manuel Yeo Kachu	August 1, 2005	July 31, 2025	Puregold San Pedro	Building	5% every year
Manuel Yeo Kachu	October 1, 2011	September 30, 2013	Puregold San Pedro	Parking area	10% every year
VFC Land Resources, Inc.	September 1, 2010	August 31, 2035	Puregold Head Office	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year, 5% on the 16th to 20th year, 6% on the 21st to 25th year
Fertuna Holdings Corporation	May 1, 2012	April 30, 2032	Puregold Subic	Building	3% on the 6th to 10th year, 4% on the 11th to 15th year and 5% on the 16th to 20th year
Family Choice Megamart, Inc.	February 28, 2012	July 27, 2037	Puregold Cauayan, Isabela	Building	5% every 3 years beginning on the 2nd year until the 25th year
Fortune Fertilizers, Inc.; Manna Properties, Inc.; Havilah Properties, Inc.; Sps. Aldrico Ting Liu Dy, Jr. and Jacqueline Tanyao Dy and La Union Sky Mall Corp.	35 yrs. & 6 mos. commencing upon turn over of the leased premises		Puregold La Union	Building	2% beginning on the 4th year until the 35th year
ALDP Land & Construction Corporation	January 6, 2012	February 16, 2037	Puregold Naga	Warehouse	8% on the 4th year & 9% beginning on the 7th year & every 36 months thereafter
Maria Salome Development Ventures Corp.; Maria Jasmin P. Lee, Maria Eileen P. Lee, Maria Guerlain P. Lee, Eusebio Hennessy P. Lee and Maria P. Lee	20 yrs. & 4 1/2 mos. commencing upon turn over of the leased premises		Puregold Hagonoy, Bulacan	Building	10% beginning on the 4th year and every 3 years thereafter

Subsidiary as Lessee

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

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

Guru Property Development and Management Corporation	February 16, 2011	June 15, 2021	Puregold Junior-Antipolo	Building	5% on the 3rd year up to 6th year and by 6% on the 7th year onwards.
Pajusco Realty Corp	November 1, 2011	October 31, 2036	Puregold Junior-San Juan, Batangas	Building	3% on the 6th year to 10th year, 4% on the 11th year to 15th year, 5% on the 16th year to 20th year and 6% on the 21st year to 25th year compounded annually
Newhall Realty Group Corporation	January 22, 2012	May 21, 2037	Puregold Junior-Gen.Trias	Building	3% on the 6th year, by 4% on the 11th year, and by 5% on the 16th year until the end of the lease term.
Queenstown Junction Development Incorporated	July 15, 2011	October 14, 2031	Puregold Junior-Juan Luna Divisoria	Building	5% on the 3rd year and every 2 years thereafter.
Minagrande Management, Inc.	November 2, 2011	March 1, 2027	Puregold Junior-Quirino Zapote Arcade	Building	3% on the 4th year and 5% on the 9th year until the 15th year.
Elenita Catuira-Eleazar, Marissa Eleazar-Marcalas, Allan Lester C. Eleazar, Maricar C. Eleazar, Mary Grace C. Eleazar	October 27, 2011	April 26, 2032	Puregold Junior-BM Los Baños	Building	5% on the 3rd year and every 2 years thereafter.
Puregold Price Club Inc.	November 18, 2011	January 10, 2037	Puregold Junior-Pandacan	Building	3% on the 6th year to 10th year, 4% on the 11th year to 15th year, 5% on the 16th year to 20th year and 6% on the 21st year to 25th year compounded annually
Fiorino Development Corporation	November 10, 2011	March 9, 2022	Puregold Junior-West Ave. Stripmall	Building	3% on the 4th year up to 10th year of the lease.
Golden Globe Treasury Link Corporation	15 yrs. & 2 mos. commencing upon turn over of the leased premises		Puregold Junior- San Pablo	Building	5% on the 3rd year until the 15th year.

Ellimac Prime Holdings, Inc.	January 1, 2012	December 31, 2036	Puregold Junior-Don Antonio	Building	3% on the 6th year to 10th year, 4% on the 11th year to 15th year, 5% on the 16th year to 20th year and 6% on the 21st year to 25th year compounded annually.
First Laguna Land Business Corporation	October 4, 2011	February 3, 2027	Puregold Junior-Parian, Calamba	Building	10% on the 3rd year and every 2 years thereafter.
Widescope Property and Management Corp.	March 8, 2012	June 7, 2027	Puregold Junior-Libertad	Building	5% every year beginning on the 3rd year until the 15th year.
Crown Asia Properties, Inc.	10 yrs. & 4 mos. commencing upon turn over of the leased premises		Puregold Junior- Mille Luce	Building	3% on the 3rd year to 5th year and 5% on the 6th year to10th year.
Cromagen Land Corporation	10 yrs. & 3 mos. commencing upon turn over of the leased premises		Puregold Junior-Pioneer	Building	3% annually beginning on the 3rd year until the 7th year and 5% beginning on the 8th year up to the 10th year.
Philippine Veterans Bank; Intervest Projects, Inc.	15 yrs. & 4 mos. commencing upon turn over of the leased premises		Puregold Junior-Malinta	Building	5% beginning on the 8th year and every year thereafter.
Jocelyn S. Pua	25 yrs. & 6 mos. commencing upon turn over of the leased premises		Puregold Junior- Old Centro	Building	3% on the 3rd year and every other year thereafter.

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

Total rent expense recognized in profit or loss on the above leases amounted to P268,561,598 and P206,476,023 for the three month period ended March 31, 2012 and December 31, 2011, respectively (see Note 18).

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

	2012	2011
Due within one year	**P863,772,539**	P782,000,443
Due more than one year but not more than five years	**3,921,664,133**	3,455,844,388
Due more than five years	**18,484,258,924**	16,577,068,927
	P23,269,695,596	P20,814,913,758

As Lessor

The Group 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.

Rent income recognized in profit or loss for the three month period ended March 31, 2012 and 2011 amounted P49,775,103 and P39,351,902, respectively (see Note 17).

15. Other Operating Income

This account for the three months ended March 31 consists of:

	Note	2012	2011
Concession income		**P143,268,488**	P111,126,357
Display allowance		**86,479,629**	64,613,085
Rent income	*16*	**49,775,103**	39,351,902
Miscellaneous		**8,837,880**	10,327,139
		P288,361,100	P225,418,483

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

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

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

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

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

16. Selling Expenses

This account for the three months ended March 31 consists of:

	Note	2012	2011
Manpower agency services		**P278,861,262**	P185,516,901
Rent	*14*	**268,561,598**	206,476,023
Communication, light and water		**221,926,049**	150,355,143
Salaries and wages		**141,704,051**	105,000,442
Depreciation and amortization	*9*	**138,067,338**	109,539,859
Store and office supplies		**66,963,616**	39,134,749
SSS/Medicare and HDMF contributions		**10,616,350**	7,994,647
Royalty	*20*	**5,404,667**	-
Miscellaneous		**15,344,714**	12,905,536
		P1,147,449,645	P816,923,300

17. General and Administrative Expenses

This account for the three months ended March 31 consists of:

	Note	2012	2011
Taxes and licenses		**P48,126,809**	P35,587,271
Repairs and maintenance		**34,689,584**	24,521,924
Insurance		**17,059,452**	11,773,916
Retirement benefits cost	*21*	**11,283,892**	6,867,236
Representation and entertainment		**3,843,466**	10,664,160
Fuel and oil		**6,621,667**	4,189,906
Transportation		**2,727,122**	875,427
Professional fee		**2,693,296**	970,229
		P127,045,288	P95,450,069

18. Other Operating Expenses

This account for the three months ended March 31 consists of:

	2012	2011
Security services	**P81,799,850**	P61,530,600
Janitorial and messengerial services	**25,704,474**	18,414,702
Disallowed input value-added tax	**8,816,499**	5,665,366
Bank charges	**18,341**	640,136
Deficiency tax	**-**	1,199,898
Donations	**2,919,580**	2,069,580
Loss on pretermination of lease contract	**-**	-
Miscellaneous	**3,174,126**	10,050,207
	P122,432,870	P99,570,489

19. Others

This account for the three months ended March 31 consists of:

	Note	**2012**	2011
Gain on insurance claim			(P27,296,510)
Interest income		**(P20,589,559)**	(1,649,433)
Dividend income		**(200)**	(65,505)
Loss (gain) on disposal of property and equipment		**(249,999)**	(300,000)
Unrealized valuation gain in trading securities	*8*	**(4,862,600)**	1,554,055
Loss on goodwill written-off			-
Loss on sale of investments in trading securities			
		P(25,702,358)	(P27,757,393)

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

20. Related Party Transactions

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

March 31,2012	Security Deposit	Communication	Employees Benefit	Royalty	Rent Expense	Utilities Expense
Entities under common control						
Ellimac Prime Holdings, Inc.		-		-	19,423,711	8,050,270
Pajusco Realty Corporation		-		-	14,065,633	4,960,287
Cosco Prime Holdings, Inc.		-		-	34,024,803	3,960,158
Bellagio Holdings, Inc.		-		-	3,055,478	4,734,472
Puregold Duty Free		61,072	17,952	-	-	
Puregold Finance, Inc.				-	3,167,692	
VFC Land Resources		93,996		-	7,126,901	1,699,764
KMC Realty		37,779		-	2,430,141	100,705
Stockholders		-		5,404,666	-	
	P -	P192,847	P17,952	P5,404,666	P83,294,360	P23,505,656

March 31,2011	Security Deposit	Communication	Employees Benefit	Royalty	Rent Expense	Utilities Expense
Entities under common control						
Ellimac Prime Holdings, Inc.	14,281,732				17,596,166	2,497,701
Pajusco Realty Corporation	526,878				24,645,677	5,270,431
Cosco Prime Holdings, Inc.	3,842,100				43,048,869	4,177,394
Bellagio Holdings, Inc.						3,355,408
Puregold Duty Free		41,691	1,172,913			28,015
Puregold Finance, Inc.					2,667,591	
VFC Land Resources	11,436,761	126,120			15,844,137	3,511,226
KMC Realty	5,567,680				7,956,927	
	P35,655,152	P167,811	P1,172,913	P -	P11,759,366	P18,840,175

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

Due to a related party consists of royalty fee and other payable to a stockholder of the Company amounting to P5.4 million as at March 31, 2012. No related liability was incurred in 2011.

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

The compensation of key management personnel representing short-term benefits amounted to P3.09 and P3.169 in millions for the three month period ended March 31, 2012 and 2011, respectively. The Company has no key management compensation relating to post-employment benefits or other long-term benefits for the three month periods ended March 31, 2012 and 2011.

21. Retirement Benefit Costs

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

Retirement benefits cost recognized in profit or loss by the Company amounted to P37.12 million and P34.12 million in March 31, 2012 and December 31, 2011, respectively, while the one recognized by the Subsidiary amounted to P3.00 million in 2011.

The reconciliation of the liability recognized in the interim consolidated statements of financial position is shown below:

	March 31 2012	December 31 2011
Present value of the defined benefit obligation	**P157,231,285**	P147,999,230
Unrecognized actuarial losses	**(66,383,695)**	(68,221,751)
Unrecognized transitional liability	**(3,206,718)**	(3,420,499)
Retirement benefits liability at reporting date	**P87,640,872**	P76,356,980

The movements of the present value of the defined benefit obligation are shown below

	March 31 2012	December 31 2011
Balance at beginning of year	**P147,999,230**	P91,320,841
Current service cost	**6,904,767**	27,619,067
Interest cost	**2,327,288**	7,302,674
Actuarial losses	-	21,756,648
Unrecognized transitional liability	-	
Balance at end of year	**P157,231,285**	P147,999,230

The amount of retirement benefits cost recognized in profit or loss consists of:

	March 2012	December 2011
Current service cost	**P6,904,767**	P27,619,067
Interest cost	**2,327,288**	7,302,674
Transitional liability recognized	**59,102**	-
Net actuarial loss recognized during the year	**1,992,735**	2,203,717
	P11,283,892	P37,125,458

Based on the latest actuarial valuation made as of December 31, 2012, the principal actuarial assumptions at reporting date are as follows (expressed as percentages under weighted averages):

	March 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 and previous years is as follows:

	March 31 2012	December 31 2011
Present value of defined benefit obligation	**P157,231,285**	P147,999,230
Experience adjustments on plan liabilities	-	21,756,648

22. Income Taxes

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

	2012	2011
Income before income tax	**P658,575,482**	P542,371,895
Income tax expense at the statutory income tax rate	P197,572,645	P162,711,569
Income tax effects of:		
Non-deductible interest expense	-	-
Non-deductible other expenses	-	3,071,318
Non-deductible expenses (non-taxable income)-net subjected to final tax	**44,949**	198,629
Dividend income subjected to final tax	**(60)**	(19,651)
Interest income subjected to final tax	**(6,176,868)**	(494,830)
Unrealized marketable gain on trading securities	**(1,458,780)**	466,217
Loss on goodwill written off		-
	P189,981,886	P165,933,251

Deferred tax assets are attributable to the following:

	March 31 2012	December 31 2011
Accrued rent	**P222,355,524**	P198,885,122
Retirement benefits liability	**26,292,262**	22,907,094
Allowance for impairment losses on receivables	**1,656,533**	1,656,533
Accrued rent income	**(3,926,602)**	(3,309,455)
	P246,377,716	P220,139,294

The deferred tax asset on accrued rent above is in compliance with PAS 17 - *Leases* which resulted to a temporary difference between rental expense determined using the straight-line basis and tax deductible rental expense. The temporary difference amounted to P741,185,080 and P662,950,406 as of March 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 P13,088,673 and P11,031,515 as at March 31, 2012 and December 31, 2011.

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.

23. Equity

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

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

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

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

24. Segment Information

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

25. Basic/Diluted EPS Computation

Basic/Diluted EPS for the three month period ended March 31 is computed as follows:

	2012	2011
Net income	**P468,593,599**	P376,438,647
Weighted average number of ordinary shares		
Subscribed ordinary shares at January 1	2,000,000,000	1,450,000,000
	2,000,000,000	1,450,000,000
Earnings per share	P0.23	P0.26

26. Financial Risk Management Objectives and Policies

Objectives and Policies

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

- Credit Risk
- Liquidity Risk

- Interest rate Risk

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

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

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

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

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

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

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

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

	Note	March 31 2012	December 31 2011
Cash in banks and cash equivalents	*4*	**P1,635,507,812**	P1,653,395,511
Short-term cash investments	*5*	**1,016,503,299**	2,286,731,084
Investments in trading securities	*8*	**28,862,815**	24,000,214
Receivables – net	*6*	**272,452,124**	410,357,431
Available-for-sale financial assets	*11*	**7,879,160**	7,879,160
Security deposits	*11*	**614,534,825**	567,262,531
		P3,575,740,035	P4,949,625,931

Liquidity Risk

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

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

	As of March 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)	**P4,371,210,503**	**P4,371,210,503**	**P4,371,210,503**	**-**	**-**
Due to a related party	**5,404,666**	**5,404,666**	**5,404,666**	**-**	**-**
Trust receipts payable	**19,713,949**	**19,713,949**	**19,713,949**	**-**	**-**
Other current liabilities	**80,098,054**	**80,098,054**	**80,098,054**	**-**	**-**
Noncurrent accrued rent	**651,251,433**	**651,251,433**	**2,409,777**	**41,007,521**	**607,834,135**

	As of December 31, 2011				
	Carrying Amount	Contractual cash flow	1 year or less	> 1 year – 5 Years	More than 5 years
Financial liabilities					
Accounts payable and accrued expenses (excluding statutory payables to the government)	P6,166,108,486	P6,166,108,486	P6,166,108,486	P -	P -
Due to related party	8,855,584	8,855,584	8,855,584	-	-
Trust receipt payable	21,299,667	21,299,667	21,299,667	-	-
Other current liabilities	91,717,310	91,604,428	91,717,310	-	-
Noncurrent accrued rent	662,950,406	662,950,406	572,956	40,622,104	621,755,346

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks and short-term loans. Cash deposits and short-term loans with variable rates expose the Group to cash flow interest rate risk.

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

	March 31 2012	December 31 2011
Fixed rate		
Financial assets	**P2,652,011,111**	3,940,126,595
Financial liabilities	**19,713,949**	21,299,667

Sensitivity Analysis
A 2% increase in interest rates would have decreased equity and net income by P36.85 million and P54.86 million for March 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.

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

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

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

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

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

27. Financial Instruments

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

	March 31,2012		December 31,2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P1,891.51**	**P1,955.17**	P1,955.17	P1,955.17
Restricted cash and cash equivalents	**1,016.50**	**1,016.50**	2,286.73	2,286.73
Receivables - net	**272.45**	**410.36**	410.36	410.36
Investments in trading securities	**28.86**	**24.00**	24.00	24.00
Available-for-sale financial assets (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**7.88**	**7.88**	7.88	7.88
Security deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**614.53**	**614.53**	567.26	567.26
Financial Liabilities				
Loans payable			-	-
Accounts payable and accrued expenses	**4,371.21**	**4,371.21**	6,166.11	6,166.11
Due to a related party	**5.40**	**5.40**	8.86	8.86
Trust receipts payable	**19.71**	**19.71**	21.30	21.30
Other current liabilities	**80.10**	**80.10**	91.72	91.72
Noncurrent accrued rent	**739.98**	**739.98**	662.95	662.95

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

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

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

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

Fair Value Hierarchy

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

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

2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments in trading securities	P28,862,815	P -	P -	P28,862,815
Available-for-sale investments	7,879,160	-	-	7,879,160

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