29 April 2013

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

Attention: **Ms. Janet Encarnacion**
Head

Subject: **SEC 17-Q**

GENTLEMEN:

Please see attached PGOLD's 1ST Quarter Report for the year 2013.

Thank you.

Very truly yours,

Atty. Candy H. Dacanay-Datuon
Corporate Information Officer

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 2013

2. Commission identification number........................ A199813754

3. BIR Tax Identification No.. 201-207-095

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	2,783,317,412

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 (2,766,406,250) 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 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, 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

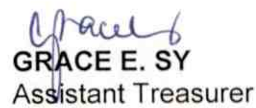
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

25 April 2013, Manila.

PUREGOLD PRICE CLUB, INC.

LEONARDO B. DAYAO
President

TEODORO A. POLINGA
Accounting Manager



GRACE E. SY
Assistant Treasurer

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 financial soundness indicators used by the Group as at and for the three-month periods ended March 31:

	March 31 2013	December 31 2012
Current Ratio [1]	**1.78:1**	1.61:1
Asset to Equity Ratio [2]	**1.55:1**	1.65:1
Debt to Equity Ratio [3]	**0.55:1**	0.65:1
Net Debt to Equity [4]	**0.34:1**	0.32:1
Equity to Debt Ratio [5]	**1.81:1**	1.53:1

	2013	2012
Book Value per Share [6]	**P10.28**	P4.89
Earnings per Share [7]	**P0.35**	P0.23

(1) Current Assets over Current Liabilities
(2) Total Assets over Total Equity
(3) Total Liabilities over Total Equity
(4) Total Liabilities less Cash & Cash equivalents and Financial Assets at FVPL and AFS over Total Equity
(5) Total Equity over Total Liabilities
(6) Total Equity over Total Common Shares Outstanding
(7) Net income after tax over Weighted Average Common Shares Outstanding

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

	PPCI		**S&R***		**Group**	
	2013	2012	**2013**	2012	**2013**	2012
Like-for-like net sales growth	**0.4%**	4.8%	**34.3%**	16.6%	**6.5%**	4.8%
Like-for-like net ticket growth	**2.2%**	5.0%	**8.4%**	21.0%	**7.5%**	5.0%
Like-for-like traffic growth	**-1.7%**	-0.2%	**23.8%**	-3.7%	**-0.9%**	-0.2%

*Non-financial operational data for 2012 was taken from the operating results of Kareila Management Corp. prior to its acquisition by the Parent Company in May 2012 and is included for comparative purposes.

I. Results of Operations

(In millions)	For the Three-Month Periods Ended March 31 2013	2012	% of Change	% of Net Sales
Net Sales	**P16,093**	P10,740	**49.8%**	**100.0%**
Cost of Sales	**13,258**	8,999	**47.3%**	**82.4%**
Gross Profit	**2,834**	1,742	**62.8%**	**17.6%**
Other Operating Income	**492**	288	**70.6%**	**3.1%**
	3,326	2,030	**63.9%**	**20.7%**
Operating Expenses	**2,133**	1,397	**52.7%**	**13.3%**
Operating Income	**1,193**	633	**88.5%**	**7.4%**
Other income (expense) – net	**124**	26	**385.0%**	**0.8%**
Income before income tax	**1,317**	659	**100.0%**	**8.2%**
Income tax expense	**355**	190	**86.9%**	**2.2%**
Net Income	**P962**	P469	**105.3%**	**6.0%**

For the three-month period ended March 31, 2013, the Group posted a consolidated net income of P962 million from P469 million in 2012 of the same period for an increase of 105.3% at the end of the quarter. This was the result of the continuous expansion of the Group including major acquisitions in the previous year and in the first quarter of the 2013.

On January 14, 2013, the Parent Company acquired 100% of the outstanding capital stock of Company E Corporation (Company E). Company E is similarly engage in the business of trading goods such as supermarket products on retail and wholesale basis.

On February 26, 2013, the application for merger of Gant Group and Puregold Jr. Supermarket (PGJr) with the Parent Company as surviving entity was approved by SEC. Effectively on date of approval, the Parent Company absorbed 33 stores from PGJr and 19 stores from Gant Group, bringing the total of stores under the operation of the Parent Company to 158 at the end of the quarter.

In the first quarter of 2013, the Parent Company opened an additional of 9 stores in operation. This brought the total number of stores to 180 as at March 31, 2013 including 6 S&R branches and 15 branches from Company E.

Net Sales

For the three-month period ended March 31, 2012, the Group posted total net sales of P16,093 million for an increase of 49.8% compared to P10,740 million in 2012 of the same period. New stores of 2012 fully operating in 2013 account for 11.4% of consolidated net sales and contribute 33.0% to total increase. S&R shares 16.4% while Company E added 1.0% of consolidated net sales at the end of the quarter.

Gross Profit

The Group posted an increase of 62.8% in gross profit for the three-month period ended March 31 from P1,742 million in 2012 to P2,834 million in 2013 driven by strong sales growth and higher level of suppliers' support by way of rebates and conditional discounts granted during the period, in support of the Group's store expansion. Cost of sales increased by 47.3% in line with increase in sales.

Other operating income

Other operating income increased by P204 million or 70.6% from P288 million in 2012 to P492 million in 2013. This includes increase in concessionaire income, 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 of the new stores & newly acquired subsidiaries including membership income from consolidation of S&R.

Operating Expenses
Operating expenses increased by P736 million or 52.7% from P1,397 million in 2012 to P2,133 million in 2013. Majority of the increase was due to manpower cost of the Group's new stores, as well as rent expenses relative to new lease contracts, utilities expense, depreciation expense and taxes, all related to the establishment and opening of new stores. In addition, a total of P101 million of concession fee was recognized arising from the consolidation of S&R.

Other income - net
Other income increased by P98 million or 385.0% from P26 million in 2012 to P124 million in 2013. This was due to recognition of interest income from short-term investments.

II. Financial Condition

(In millions)	Mar 30 2013	Dec 31 2012	% of Change	% of Total Assets
ASSETS				
Cash & Cash Equivalents	**P5,958**	P9,084	**-34.4%**	**13.5%**
Investments in trading securities	**39**	35	**12.3%**	**0.1%**
Receivables – net	**1,268**	957	**32.5%**	**2.9%**
Merchandise inventory	**6,925**	6,612	**4.7%**	**15.7%**
Due from related parties	**48**	7	**579.5%**	**0.1%**
Prepaid expenses and other current assets	**803**	688	**16.7%**	**1.8%**
Total Current Assets	**15,041**	17,383	**-13.5%**	**34.0%**
Investments	**8**	8	**0.0%**	**0.0%**
Property and equipment – net	**10,309**	9,583	**7.6%**	**23.3%**
Intangible Assets	**17,747**	17,432	**1.8%**	**40.2%**
Other noncurrent assets	**1,079**	1,038	**4.0%**	**2.4%**
Total Noncurrent Assets	**29,143**	28,061	**3.9%**	**66.0%**
Total Assets	**P44,184**	P45,444	**-2.8%**	**100.0%**
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	**P6,963**	P9,287	**-25.0%**	**15.8%**
Loan payable	**509**	509	**0.0%**	**1.2%**
Income tax payable	**559**	439	**27.5%**	**1.3%**
Trust receipts payable	**14**	8	**77.4%**	**0.0%**
Current maturities of long-term debt, net of debt issue costs	**44**	43	**1.1%**	**0.1%**
Due to related party	**90**	238	**-62.1%**	**0.2%**
Other current liabilities	**289**	254	**13.6%**	**0.7%**
Total Current Liabilities	**8,467**	10,777	**-21.4%**	**19.2%**
Noncurrent accrued rent	**1,216**	1,121	**8.5%**	**2.8%**
Long-term debt - net of current maturities and debt issue cost	**4,911**	4,909	**0.0%**	**11.1%**
Deferred Tax Liability	**956**	976	**-2.0%**	**2.2%**
Retirement benefits liability	**168**	157	**7.0%**	**0.4%**
Total Noncurrent Liabilities	**7,251**	7,164	**1.2%**	**16.4%**
Total Liabilities	**15,718**	17,940	**-12.4%**	**35.6%**
Capital stock	**2,766**	2,766	**0.0%**	**6.3%**
Additional paid in capital	**20,830**	20,830	**0.0%**	**47.1%**
Retained earnings	**4,869**	3,907	**24.6%**	**11.0%**
Total Equity	**28,466**	27,504	**3.5%**	**64.4%**
Total Liabilities and Equity	**P44,184**	P45,444	**-2.8%**	**100.0%**

Working Capital

As at March 31, 2013 and December 31, 2012, the Group's working capital stood at P6,574 million and P6,606 million, respectively. The Group's current ratio improved from 1.61 in December 2012 to 1.78 in March 2013 due to settlements of trade liabilities to avail efficiency discounts.

Current Assets
As at March 31, 2013 and December 31, 2012, total current assets amounted to P15,041 million or 34.0% of total assets, and P17,383 million or 38.3% of total assets, respectively, for a decrease of P2,342 million or 13.5% as at March 31, 2013.

Cash and cash equivalents as at March 31, 2013 amounted to P5,958 million or 13.5% of total assets, lower by P3,126 million or 34.4% compared to previous year-end balance. Decrease in the account was attributable to settlements of trade liabilities, payments for 2012 cash dividends and capital expenditures for new stores expansion. In addition, the Group acquired Company E in the first quarter of 2013.

Receivables amounted to P1,268 million as at March 31, 2013 or 2.9% of total assets, with an increase of P311 million or 32.5% from P957 million in December 2012, associated with growth in sales in relation to the operations of new stores. This includes trade and non trade receivables, net of P8 million allowance for impairment losses.

Merchandise inventory, comprising the bulk of the Group's current assets, amounted to P6,925 million or 15.7% of total assets at the end of March 2013. Total inventory increased by P313 million or 4.7% principally due to stocking requirements of new operating stores.

Prepaid expenses and other current assets increased by P115 million or 16.7% at the end of March 2013, relative to opening of new stores and are attributable primarily to rent, insurance, taxes, permits & licenses and input taxes.

Noncurrent Assets
As of March 31, 2013 and December 31, 2012, total noncurrent assets amounted to P29,143 million or 66.0% of total assets, and P28,061 million or 61.7% of total assets, respectively, for an increase of P1,082 million or 3.9% as at March 31, 2013.

Book values of Property and equipment increased by P726 million or 7.6% from P9,583 million in December 2012 to P10,309 million in March 2013. This was due principally to capital expenditures incurred for the development and establishment of new stores during the current period.

Other noncurrent assets increased by P41 million or 4.0% from P1,038 million in December 2012 to P1,079 million in March 2013. This was primarily due to increase in security deposits in relation to new leases acquired for new stores development.

Current Liabilities
As of March 31, 2013 and December 31, 2012, total current liabilities amounted to P8,467 million or 19.2% of total assets, and P10,777 million or 23.7% of total assets, respectively, for a decrease of P2,310 million or 19.2% as at March 31, 2013.

Accounts payable and accrued expenses decreased by P2,324 million or 25.0% primarily due to settlement of trade liabilities and payment of cash dividend to stockholders.

Income tax payable increased by P121 million from P439 million in December 2012 to P559 million in March 2013 due to recognition of provisions for the three-month period income tax.

Other current liabilities increased by 13.6% from P254 million in December 2012 to P289 million in March 2013 relatively due to recognition of deposit liabilities to tenants of newly opened stores.

Noncurrent Liabilities
As of March 31, 2013 and December 31, 2012, total noncurrent liabilities amounted to P7,251 million or 16.4% of total assets, and P7,164 million or 15.8% of total assets, respectively, for an increase of P87 million or 1.2% as at March 31, 2013.

Noncurrent accrued rent increased by P95 million or 8.5% from P1,121 million in December 2012 to P1,216 million in March 2013 due to recognition of rent expense for lease contracts entered into by the Company in compliance with PAS 17 – *Leases*.

Retirement benefits liability increased from P157 million in December 2012 to P168 million in March 2013 due to recognition of obligation incurred based on the latest independent actuarial report in accordance with PAS 19 – *Employee Benefits*.

III. Sources and Uses of Cash

The Group's primary source of liquidity is cash provided by operating activities and cash obtained from issuance of corporate bonds. Principal uses of cash are operating expenses and store expansion.

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

	For the Three-month Periods Ended March 31	
(In millions)	**2013**	2012
Net cash flows used in operating activities	**(P1,091)**	(P718)
Net cash flows provided by (used in) investing activities	**(1,337)**	655
Net cash flows used in financing activities	**(698)**	-
Net decrease in cash and cash equivalents	**(P3,126)**	(P64)

Net cash used in operating activities amounted to P1,091 million and P718 million for the three-month periods ended March 31, 2013 and 2012, respectively. This was mainly due to settlement of obligations to both trade and nontrade suppliers to avail efficiency discounts and payments made for additional inventories and other related current operating items to support the Company's expansion.

Net cash used in investing activities amounted to P1,337 million for the three-month period ended March 31, 2013. Acquisition of equipments, furniture & fixtures, construction of buildings and improvements on leased assets amounted to P941 million as at the end of the quarter. In addition, the Parent Company acquired Company E in January 2013 for a total cost of P360 million as part of the Group's expansion program.

Net cash used in financing activities amounted to P698 million for the three-month period ended March 31, 2013. This pertains to settlement of related party payables and payment of P553 million cash dividends to stockholders.

IV. Material Events and Uncertainties

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems.

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

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

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business.

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

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

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

BUSINESS

Overview

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

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

2011 saw the highest number of store openings in Puregold history with the launch of 38 new stores making its number of stores to a total of 100. In the succeeding year, Puregold acquired a related retail company, Kareila Management Corporation, which operates 6 S&R Membership Shopping Warehouses. It is the only membership store operating in the country. It also acquired Gant Group of Companies Incorporated operating 19 Parco Supermarkets. By the end of 2012, Puregold is already operating a total of 156 outlets including 31 new Puregold stores it opened during the year.

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

Principal Products/Service and Markets

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

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

- SUPERMARKETS. The Company has a supermarket chain known as "Puregold Junior", operated by its wholly-owned subsidiary, Puregold Junior Supermarket, Inc. (PJSI). In June 2010, PJSI. became a subsidiary of the Company as part of a reorganization of companies owned and controlled by the Co Family. In February 2013, PJSI was merged to the Company, transferring the net assets of PJSI and the operation of the supermarket chain.. The Company's supermarkets are mostly located in residential areas and offer a higher proportion of food to non-food products vis-a-vis the Company's hypermarkets. The supermarkets have a store layout similar to the Company's hypermarkets but on a smaller scale. Puregold Junior stores generally cater to retail consumers. The average net selling space of the Puregold Junior supermarkets is around 900 square meters. SKUs of product assortment ranges from 8,000 to 10,000.

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

- MEMBERSHIP SHOPPING. S&R Membership Shopping started operations with four locations in Metro Manila in November 2006. It opened its Cebu store in November 2010 and its Pampanga store in November 2011. It is the only retailer in the Philippines with a membership shopping concept. S&R has adopted a warehouse club concept where most of the products offered are in club packs. Majority of the merchandise are imported brand name products mostly sourced from the United States. Providing a good variety of exciting products with value pricing, S&R is able to grow the membership base. It generates high volume of transactions per member due to its quality product sourcing. Currently, S&R is the biggest reseller of imported quality products at very competitive prices. In May 2012, PPCI acquired S&R's Company, Kareila Management Corporation, via a share swap.

The Company focuses on two customer segments: retail consumers and resellers. Approximately 65% of the Company's customers are C-class and D-class retail customers, with a monthly income from P12,000 to P80,000. Approximately 35% of the Company's customers comprise resellers who are small to medium-size business owners. S & R, on the other hand, eyes the AB and aspirational C market segments whose monthly income is over P80,000. The acquisition of S&R and Parco Supermarkets enabled the Company to widen its market spectrum comprising practically all the socio-economic brackets. In 2001, the Company established its TNAP loyalty/marketing program for resellers, and as of December 31, 2012, the Company served over 230,000 *sari-sari* stores and small to medium-size businesses, and engaged over 1,500 suppliers and trade partners. S&R has a total active members of over 250,000 by the end of 2012. To effectively serve its customer base, the Company maintains strong relationship with suppliers and trade partners, working closely with them to satisfy customers with reliable on-time deliveries.

Distribution methods of Products/Service:

Puregold merchandise replenishment and distribution are undertaken as follows:

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

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

Cross-dock facility - The Company also employs a cross-docking system whereby all goods from various small to medium-scale suppliers during the day are sorted, consolidated and dispatched to the different branches of the Company within 24 hours.

Distribution Centers (for S&R) – S&R sends out buyers all over the world to source for its best products. Around 70% of the merchandise that S&R sells are imported. It currently operates its own two distribution centers and is presently building a cold storage distribution center facility to allow it to have better control of inventory and costs.

Competition

SM Supermarkets, Savemore, SM Hypermarkets, Puregold, Shopwise/Rustan's, Robinsons, and Walter-Mart are among the top and dominant market participants in the retail sector among the hypermarket, supermarket, neighborhood store, and cash & carry formats. In 2012, Rustan's Supercenter forged partnership with Dairy Farm, Wellcome Supermarket of Hongkong. Store Specialists, also part of the Rustan's Group of Companies, in partnership with Ayala got the franchise to operate Family Mart of Japan in the Philippines. The combined stores of SM are the industry lead, whereas, Puregold is a strong and close second.

Sources of Products

Suppliers. With over 1,500 regular suppliers, the Company's supplier base is diversified between local suppliers such as San Miguel Corporation, Universal Robina Corporation, Liwayway Marketing Corporation and multinational corporations such as Nestle, Unilever and Procter & Gamble. The Company selects its suppliers using a number of criteria, including product assortment and quality, market share of the Company in a particular supplier's location, brand reputation, supplier's capacity, Company business plans and budgets, logistic possibilities, and compliance with the Company's commercial principles. S&R sources majority of its merchandise from global vendors who have been supplying to membership clubs worldwide for an extended period of time. Most of its products are sourced from the United States via direct importation.

Dependence upon single or few supplier or customer. The Company believes that its business as a whole is not dependent on any single supplier. The Company's three largest food suppliers, Nestlé Philippines, Universal Robina Corporation and Monde Nissin, together accounted for approximately 15% and 16% of the Company's sales and purchases in 2012 respectively. The Company's three largest non-food suppliers, Procter & Gamble, Unilever Philippines, and Colgate-Palmolive, together accounted for approximately 9% and 8% of the Company's sales and purchases in 2012, respectively. Further, the Company is not reliant on a single or few customers but to the buying public in general. The Company's stores target customers who live within walking distance of its stores and those who use personal or public transport to shop. The Company provides suitable car parking facilities to accommodate customers who travel to stores by car, and also locates its stores in areas close to main transportation hubs. The Company also offers delivery services to resellers who are unable to travel to the Company's stores.

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

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

- Retail consumers ("C" and "D" class): These consumers have an average income of P12,000 to P80,000 per month and accounted for approximately 65% of the Company's net sales and number over two million households. A typical ticket for retail consumers ranges from P700 to P5,000 per shopping trip at a frequency of two to four times per month.

- Resellers: Consisting of resellers, small to medium size *sari-sari* stores, as well as canteens, restaurant, bakeries, convenience and drug stores, among others, these

customers accounted for approximately 35% of the Company's net sales. Tickets for resellers range from P3,000 to over P50,000 per visit at a frequency of one to three times per week. As December 31, 2012, there were over 230,000 business owners registered with the Company.

- Retail consumers ("A" and "B" class): For S&R, it is targeting the 1% population of the Philippines which comprise the A and B target segment. This segment has an average income of over P80,000 per month. The average ticket for S&R customers is P3,700 as compared to less that P700 for the C and D class.

Related Parties

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

The 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.

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

The Parent Company and or Puregold Junior are lessees with respect to 35 lease agreements with parties controlled by the Co Family.

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

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

Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties. The terms under which the Group binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Group uses the terms and provisions it has in place for similar contracts with unrelated third parties as a benchmark for its agreements with related parties. *(For more detailed information please refer to the related party transactions as disclosed in Note 22 of the Interim Consolidated Financial Statements)*

SECTION A

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	Note	March 31 2013	December 31 2012
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 28, 29*	**P5,958,112,972**	P9,084,325,007
Investments in trading securities	*7, 28, 29*	**39,231,956**	34,946,521
Receivables - net	*5, 28, 29*	**1,267,636,386**	956,866,308
Merchandise inventory - at cost	*6*	**6,924,925,273**	6,611,541,340
Due from related parties	*22*	**47,659,325**	7,014,202
Prepaid expenses and other current assets	*8*	**803,448,351**	688,330,063
Total Current Assets		**15,041,014,263**	17,383,023,441
Noncurrent Assets			
Investments	*9*	**7,879,160**	7,879,160
Property and equipment - net	*10*	**10,309,019,362**	9,582,936,212
Intangibles	*11*	**17,746,600,924**	17,432,364,788
Other noncurrent assets	*12, 18, 28, 29*	**1,079,437,127**	1,038,071,790
Total Noncurrent Assets		**29,142,936,573**	28,061,251,950
		P44,183,950,836	P45,444,275,391
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*13, 28, 29*	**P6,962,814,631**	P9,286,918,686
Loans payable	*15, 28, 29*	**508,500,000**	508,500,000
Income tax payable		**559,418,431**	438,660,875
Trust receipts payable	*28, 29*	**14,423,459**	8,130,029
Due to related parties	*22, 28, 29*	**90,055,436**	237,545,408
Current maturities of long - term debt, net of debt issue costs	*16*	**43,604,204**	43,140,099
Other current liabilities	*14, 18, 28, 29*	**288,525,108**	253,949,662
Total Current Liabilities		**8,467,341,269**	10,776,844,759
Noncurrent Liabilities			
Noncurrent accrued rent	*24, 28, 29*	**1,215,634,499**	1,120,906,123
Long-term debt - net of current maturities and debt issue costs	*16*	**4,910,739,091**	4,909,071,263
Deferred tax liabilities - net	*24*	**956,449,316**	976,419,442
Retirement benefits liability	*23*	**168,094,595**	157,164,520
Total Noncurrent Liabilities		**7,250,917,501**	7,163,561,348
Total Liabilities		**15,718,258,770**	17,940,406,107
Equity			
Capital stock	*25*	**2,766,406,250**	2,766,406,250
Additional paid in capital	*25*	**20,830,387,095**	20,830,387,095
Retained earnings	*25*	**4,868,898,721**	3,907,075,939
Total Equity		**28,465,692,066**	27,503,869,284
		P44,183,950,836	P45,444,275,391

See Notes to the Consolidated Financial Statements.

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

	Note	For the Three-Month Periods Ended March 31	
	Note	**2013**	2012
REVENUE			
Gross sales		**P16,127,169,092**	P10,757,522,120
Sales discount		**34,327,060**	17,167,785
		16,092,842,032	10,740,354,335
COST OF SALES	*17*	**13,258,386,859**	8,998,764,676
GROSS PROFIT		**2,834,455,173**	1,741,589,659
OTHER OPERATING INCOME	*19*	**491,897,786**	288,361,100
		3,326,352,959	2,029,950,759
OPERATING EXPENSES	*20*	**2,133,355,275**	1,396,927,803
INCOME FROM OPERATIONS		**1,192,997,684**	633,022,956
OTHER INCOME (EXPENSES)			
Interest expense	*15, 16*	**(10,581,952)**	(149,829)
Interest income		**129,508,493**	20,589,558
Others - net	*21*	**5,012,355**	5,112,800
		123,938,896	25,552,529
INCOME BEFORE INCOME TAX		**1,316,936,580**	658,575,485
INCOME TAX EXPENSE	*24*		
Current		**383,157,767**	216,220,308
Deferred		**(28,043,969)**	(26,238,422)
		355,113,798	189,981,886
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P961,822,782**	P468,593,599
EARNINGS PER SHARE	*27*		
Basic and diluted earnings per share		**P0.35**	P0.23

See Notes to the Consolidated Financial Statements.

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

	Note	For the Three-Month Periods Ended March 31 2013	2012
CAPITAL STOCK - P1 par value	*25*		
Authorized - 3,000,000,000 shares			
Issued and outstanding - (2,766,406,250 shares in 2013, 2,000,000,000 shares in 2012)			
Balance at beginning of period		**P2,766,406,250**	P2,000,000,000
Stock issuance during the period		**16,911,006**	-
Treasury shares		**(16,911,006)**	-
Balance at end of year		**2,766,406,250**	2,000,000,000
ADDITIONAL PAID-IN CAPITAL	*25*	**20,830,387,095**	5,168,821,728
RETAINED EARNINGS	*25*		
Balance at beginning of year		**3,907,075,939**	2,142,817,242
Net income for the year		**961,822,782**	468,593,599
Cash dividends			
Balance at end of year		**4,868,898,721**	2,611,410,841
		P28,465,692,066	P9,780,232,569

See Notes to the Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Note	For the Three-Month Periods Ended March 31	
		2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P1,316,936,582**	P658,575,485
Adjustments for:			
Depreciation and amortization	*10, 11, 20*	**214,521,280**	137,418,632
Interest expense	*15, 16*	**10,581,952**	149,829
Rent		**94,728,375**	77,030,786
Retirement benefits cost	*20, 23*	**10,930,075**	11,283,892
Unrealized valuation gain in trading securities	*7, 21*	**-**	(4,862,601)
Loss (gain) on disposal of property and equipment	*21*	**154,762**	(249,999)
Dividend income	*21*	**(138,560)**	(200)
Interest income		**(134,537,050)**	(20,589,559)
Operating income before changes in working capital		**1,513,177,416**	858,756,265
(Increase) decrease in:			
Investments in trading securities		**(4,285,434)**	
Receivables		**(310,770,079)**	137,905,306
Merchandise inventory		**(313,383,933)**	266,760,742
Prepaid expenses and other current assets		**(115,118,286)**	(10,991,956)
Increase (decrease) in:			
Accounts payable and accrued expenses		**(1,770,824,055)**	(1,817,029,105)
Trust receipts payable		**6,293,430**	(1,585,718)
Other current liabilities		**34,575,445**	16,159,738
Cash generated from operations		**(960,335,496)**	(550,024,727)
Interest received		**134,537,050**	20,589,559
Interest paid		**(10,581,952)**	(149,829)
Income taxes paid		**(254,326,367)**	(188,660,694)
Net cash provided by operating activities		**(1,090,706,764)**	(718,245,691)

Forward

	Note	Years Ended December 31 2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*10, 13*	**(P940,604,431)**	(P550,931,960)
Increase in intangibles		**(314,236,137)**	-
Decrease (increase) in other noncurrent assets		**(41,365,337)**	1,208,821,322
Due from related parties	*22*	**(40,645,124)**	(3,450,918)
Dividends received		**138,560**	200
Proceeds from disposal of property and equipment		**(154,764)**	148,004
Net cash provided by (used in) investing activities		**(1,336,867,233)**	654,586,648
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of notes payable	*16*	**2,131,933**	-
Cash dividends paid		**(553,280,000)**	-
Increase (decrease) in due to related parties		**(147,489,970)**	-
Net cash provided by (used in) financing activities		**(698,638,037)**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(3,126,212,035)**	(63,659,043)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**9,084,325,007**	1,955,167,541
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P5,958,112,972**	P1,891,508,498

See Notes to the Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Reporting Entity

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

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as "the Group"):

	Percentage of Ownership	
	2013	2012
Puregold Junior Supermarket, Inc. (PJSI) [(a)]	-	100.00
Kareila Management Corporation (Kareila) [(b)]	**100.00**	100.00
Gant Group of Companies (Gant) [(c)]	-	100.00
PPCI Subic Inc. (Subic) [(d)]	**100.00**	100.00
Company E Corporation [(e)]	**100.00**	-

(a) *Incorporated and registered with SEC in 2008; acquired by the Parent Company in 2010 (Note 9);merged with the Parent Company effective February 26, 2013.*

(b) *Operator of S&R Membership Shopping; incorporated and registered with SEC in 2004; acquired by the Parent Company on May 28, 2012 (Note 9).*

(c) *Operator of Parco Supermarket chain; incorporated and registered with SEC in 1983; acquired by the Parent Company on May 30, 2012 (Note 9); merged with the Parent Company effective February 26, 2013.*

(d) *Incorporated and registered with SEC on May 31, 2012 and has started its commercial operations on September 20, 2012 (Note 9).*

(e) *Incorporated and registered with SEC on January 13, 1993; acquired by the Parent Company on January 14, 2013 (Note 9).*

All subsidiaries are engaged in the same business as the Parent Company. As at March 31, 2013, the Group has one hundred eighty (180) operating stores.

Acquisition of Kareila

On May 28, 2012, the Parent Company acquired Kareila through a share swap agreement for P16,477.73 million. The Parent Company issued 766,406,250 common shares from its authorized capital stock in exchange for all of the issued and outstanding shares of Kareila (see Note 9).

Merger with PJSI and Gant

On August 14, 2012, the Board of Directors (BOD) approved the merger of PJSI and Gant, as the absorbed companies, with the Parent Company, as the surviving entity. On February 26, 2013, the application for merger was approved by SEC and accordingly, the assets and liabilities of the absorbed companies as of the effective date were transferred to and absorbed by the Parent Company (see Note 25).

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

The Group's consolidated financial statements have been prepared using the historical cost basis of accounting, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) 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 Parent Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

Use of Estimates and Judgments

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

Judgments

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

Determination of Functional Currency

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

Assessing Lease Agreements

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

Operating Leases - Group as a Lessee

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

Rent expenses recognized in profit or loss amounted to P387.82 million and P268.56 million for the three-month periods ended March 31, 2013 and 2012, respectively (see Notes 18 and 20).

Operating Leases - Group as a Lessor

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

lease arrangements.

Rent income recognized in profit or loss amounted to P70.15 million and P49.78 million for the three-month periods ended March 31, 2013 and 2012 respectively (see Notes 18 and 19).

Estimates

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

Estimating Allowance for Impairment Losses on Receivables

The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the 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 the receivable, and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease current assets.

The allowance for impairment losses on receivables amounted to P7.46 million and P7.46 million as at March 31, 2013 and December 31, 2012, respectively. The carrying amount of receivables amounted to P1,268.22 million and P956.87 million as at March 31, 2013 and December 31, 2012, respectively (see Note 5).

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.

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

The carrying amount of inventory amounted to P6,924.93 million and P6,611.54 million as at March 31, 2013 and December 31, 2012, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment

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

In addition, the estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors

mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

Accumulated depreciation of property and equipment amounted to P2,269.28 million and P2,055.07 million as at March 31, 2013 and December 31, 2012, respectively. Property and equipment, net of accumulated depreciation, amounted to P10,309.02 million and P9,582.94 million as at March 31, 2013 and December 31, 2012, respectively (see Note 10).

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

The carrying amounts of trademarks and customer relationships with indefinite useful lives amounted to P4,599.11 million as at March 31, 2013 and December 31, 2012 (see Note 11).

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

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

The Group has recognized deferred tax assets amounting to P424.42 million and P410.18 million as at March 31, 2013 and December 31, 2012, respectively (see Note 24).

Impairment of Non-financial Assets
PFRSs require that an impairment review be performed on non-financial assets other than merchandise inventory and deferred tax assets when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining the recoverable amount of assets requires 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 in 2013 and 2012.

Estimating 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 PFRSs, actual results that differ from the assumptions, subject to the 10% corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Group has a cumulative unrecognized actuarial losses amounting to P120.24 million and P119.66 million as at March 31, 2013 and December 31, 2012, respectively. Retirement benefits liability amounted to P168.09 million and P157.16 million as at March 31, 2013 and December 31, 2012, respectively (see Note 23).

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, and have been applied consistently by the Group, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Group has adopted the following amendments to standards and interpretations starting January 1, 2012 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- *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.

- Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02 PFRS 3.2 - *Common Control Business Combinations* provides guidance on how should business combinations involving entities under common control be accounted for, given that these are outside the scope of PFRS 3, *Business Combinations*.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

The Group will adopt the following new and revised standards amendments to standards and interpretations on the respective effective dates:

To be Adopted on January 1, 2013

- *Presentation of Items of Other Comprehensive Income (Amendments to PAS 1).* The amendments:

- 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;
- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- 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. These amendments are effective on July 1, 2012 with earlier application permitted and are applied retrospectively.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

  - offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements.

  They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. These amendments will be effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods and are to be applied retrospectively.

- 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:

  - it is exposed or has rights to variable returns from its involvement with that investee;
  - it has the ability to affect those returns through its power over that investee; and
  - there is a link between power and returns.

  Control is re-assessed as facts and circumstances change.

  PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12 Consolidation - *Special Purpose Entities*. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- 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.

This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PFRS 13, *Fair Value Measurement*

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

  This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PAS 19, *Employee Benefits* (Amended 2011)

  The amended PAS 19 includes the following requirements:

  - 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
  - expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

  This amendment is effective for annual periods beginning on or after January 1, 2013 and is applied retrospectively with early adoption permitted.

  For defined benefit plans, removal of the corridor approach for recognition of actuarial gains and losses is expected to have an impact on the Group's consolidated financial statements. Amount of impact is estimated at P120.88 million which will be immediately recognized in other comprehensive income.

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013.

To be Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)*. These amendments clarify that:

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

- Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
  - eliminate or result in insignificant credit and liquidity risk; and
  - process receivables and payables in a single settlement process or cycle.

These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

These amendments apply to annual periods beginning on or after January 1, 2014 with early adoption permitted.

To be Adopted on January 1, 2015

- PFRS 9 *Financial Instruments (2010)*, PFRS 9 *Financial Instruments (2009)*

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  PFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

<u>Basis of Consolidation</u>

Business Combinations

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

The Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Transactions Eliminated on Consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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

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

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 at March 31, 2013 and December 31, 2012.

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 ask 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.

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.

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

The carrying amounts of financial assets under this category amounted to P39.23 million and P34.95 million as at March 31, 2013 and December 31, 2012, respectively (see Note 7).

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

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

an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Group's cash and cash equivalents, receivables, security deposits and due from related parties are included in this category (see Notes 4, 5, 12, 22, 28 and 29).
Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

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

The carrying amount of financial assets under this category amounted to P7.88 million as at March 31, 2013 and December 31, 2012 (see Note 9).

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

The Group's loans payable, accounts payable and accrued expenses, due to related parties, trust receipts payable, other current liabilities, noncurrent accrued rent and long-term debt are included in this category (see Notes 13, 14, 15, 16, 28 and 29).

Debt Issue Costs
Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

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

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

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor

transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

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

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

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

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

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

	Number of Years
Building	15 - 30
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

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.

Intangible Assets and Goodwill

Goodwill

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

Intangible Assets

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

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

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

Impairment of Assets

Financial Assets

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

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

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

characteristics.

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

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

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

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

All impairment losses are recognized in profit or loss.

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

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

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

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

Retirement Benefits Cost

The Group has a unfunded, 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 issuance of capital stock are recognized as a deduction from equity, net of any tax effects.

Revenue and Expense Recognition

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

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

Concession income pertains to the fixed percentage income from sales of concessionaire supplier's goods sold inside the store. The income is recognized when earned.

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

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

Dividend income is recognized when the Parent Company's right as a shareholder to receive the payment is established.

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 Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of 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.

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

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

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

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

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

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

Leases

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

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

Related Parties

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

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of

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

Segment Reporting

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.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after retroactive adjustment for stock dividend declared in the current period if, any. Diluted EPS is also computed in the same manner as the aforementioned, except that, 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	**2013**	2012
Cash on hand		**P465,444,187**	P510,289,384
Cash in banks	*28*	**1,347,957,673**	2,528,250,149
Money market placements	*28*	**4,144,711,112**	6,045,785,474
	29	**P5,958,112,972**	P9,084,325,007

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. Maturity dates of these investments average 30 days only with an annual interest of 1.2% to 3.82% in 2013 and 1.2% to 3.82% in 2012.

5. Receivables

This account consists of:

	Note	**2013**	2012
Trade receivables		**P504,486,793**	P751,147,258
Non-trade receivables		**770,611,920**	213,181,377
		1,275,098,713	964,328,635
Less allowance for impairment losses		**7,462,327**	7,462,327
	28, 29	**P1,267,636,386**	P956,866,308

Non-trade receivables represent amount due from suppliers for the rental, display allowance, concession, demo sampling and interest. This also includes advances to employees and a contractor. Advances to a contractor pertain to advance payments made by the Group to its warehouse contractor.

Majority of trade receivables pertain to 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 P7.46 million as at March 31, 2013 and December 31, 2012, 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	**2013**	2012
Beginning balance		**P7,462,327**	P5,521,775
Impairment losses recognized during the year	*20*	**-**	1,940,552
Ending balance		**P7,462,327**	P7,462,327

6. Merchandise Inventory

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

Inventory cost as at March 31, 2013 and December 31, 2012 is lower than NRV.

The Group's merchandise inventory as at March 31, 2013 and December 31, 2012 amounted to P6,924.93 million and P6,611.54 million, respectively.

7. Investments in Trading Securities

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

The movements in investments in trading securities are as follows:

Cost	*Note*	**2013**	2012
Balance at beginning of the year		**P14,518,906**	P13,350,902
Additions during the year			1,168,004
Balance at end of the year		**14,518,906**	14,518,906
Valuation Adjustments			
Balance at beginning of the year		**20,427,615**	10,649,312
Unrealized valuation gain on financial assets at FVPL for the year	*21*	**4,285,435**	9,778,303
Balance at end of the period		**24,713,050**	20,427,615
	28, 29	**P39,231,956**	P34,946,521

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2013	2012
Prepaid expenses	**P310,597,162**	P256,590,355
Input value added tax (VAT) - net	**492,420,281**	421,161,840
Deferred input VAT	**243,421**	8,672,739
Creditable withholding tax	**187,487**	1,905,129
	P803,448,351	P688,330,063

The details of prepaid expenses are as follows:

	2013	2012
Rent	**P179,548,350**	P166,068,015
Taxes and licenses	**81,770,462**	37,935,921
Insurance	**46,727,044**	46,982,089
Repairs and maintenance	**2,339,014**	2,252,735
Others	**212,292**	3,351,595
	P310,597,162	P256,590,355

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

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

9. Investments and Acquisitions of Subsidiaries

Acquisitions of Subsidiaries

The following are the developments relating to the Parent Company's investments in subsidiaries in 2012 and 2011:

Puregold Junior Supermarket, Inc. (PJSI)

The Parent Company owns 100% equity interest in PJSI with an acquisition cost which amounting to P50.00 million. On April 30, 2012, the Parent Company paid P550.00 million to PJSI as deposit for future stock subscription for 5,500,000 common shares. Upon approval by the SEC, the deposit will be applied to capital stock for the aggregate par value and additional paid-in capital will be recognized for the excess in par value. PJSI is still in the process of filing the increase in authorized capital stock with the SEC.

Kareila Management Corporation (Kareila)

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

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

Gant Group of Companies Incorporated (Gant)

On May 30, 2012, the Parent Company acquired 519,111 shares or 100% of the outstanding capital stock of Gant, owner and operator of Parco Supermarket. The investee is engaged in the business of trading consumer products. Acquisition cost amounted to P744.04 million.

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

Company E Corporation
On January 14, 2013, the Parent Company acquired 100% of the outstanding capital stock of Company E. The principal activity of the Company is to engage in the business of trading goods such as supermarket products on retail and wholesale basis.

AFS Financial Assets
AFS financial assets include PLDT and Meralco preferred shares acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Parent Company. As at March 31, 2013 and December 31, 2012, the AFS financial assets amounted to P7.88 million.

10. 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, 2012	P2,392,670,318	P115,267,761	P857,617,958	P2,021,723,220	P1,412,535,084	P349,005,806	P237,913,308	P7,386,733,455
Additions	237,817,758	14,080,091	257,705,752	1,087,438,979	817,989,800	29,474,331	1,817,563,844	4,262,070,555
Reclassification	320,010,822	-	1,519,180	(902,218)	286,289,804	3,466	(606,921,054)	-
Disposals	-	-	(2,123,927)	(8,673,535)	-	-	-	(10,797,462)
Balance, December 31, 2012	2,950,498,898	129,347,852	1,114,718,963	3,099,586,446	2,516,814,688	378,483,603	1,448,556,098	11,638,006,548
Additions	7,464,108	1,408,233	85,788,258	229,957,142	55,300,480	-	-	941,198,721
Reclassification	292,966,366	-	343,995	(4,029,724)	221,406,756	-	(510,687,393)	-
Disposals	-	-	(317,333)	(484,035)	(102,479)	(5,026)	-	(908,873)
Balance, March 31, 2013	**3,250,929,372**	**130,756,085**	**1,200,533,883**	**3,325,029,829**	**2,793,419,445**	**378,478,577**	**1,499,149,205**	**12,578,296,396**
Accumulated depreciation and amortization:								
Balance, January 1, 2012	P193,995,883	P47,789,669	P216,880,729	P750,800,525	P171,708,910	P-	P-	P1,381,175,716
Depreciation and amortization	89,657,004	6,535,803	92,359,000	385,539,493	101,398,182	-	-	675,489,482
Reclassification	(272,448)	-	740,220	(31,539)	(436,233)	-	-	-
Disposal	-	-	(174,929)	(1,419,933)	-	-	-	(1,594,862)
Balance, December 31, 2012	283,380,439	54,325,472	309,805,020	1,134,888,546	272,670,859	-	-	2,055,070,336
Depreciation and amortization	26,470,566	2,122,225	26,692,573	122,986,008	36,249,908	-	-	214,521,280
Reclassification	51,755	-	126,867	(528,829)	350,207	-	-	-
Disposals	-	-	(154,353)	(148,672)	(11,557)	-	-	(314,582)
Balance, March 31, 2013	**309,902,760**	**56,447,697**	**336,470,107**	**1,257,197,053**	**309,259,417**	**-**	**-**	**2,269,277,034**
Carrying amount:								
December 31, 2012	P2,667,118,459	P75,022,380	P804,913,943	P1,964,697,900	P2,244,143,829	P378,483,603	P1,448,556,098	P9,582,936,212
March 31, 2013	**P2,941,026,612**	**P74,308,388**	**P864,063,766**	**P2,067,832,776**	**P2,484,160,028**	**P378,478,577**	**P1,499,149,205**	**P10,309,010,362**

No impairment loss was recognized in 2013 and 2012.

11. Intangibles

This account consists of:

	2013	2012
Goodwill	**P13,147,336,776**	P12,833,184,760
Trademark	**3,709,660,547**	3,709,660,547
Customer relationship	**889,452,981**	889,452,981
Computer software - net	**150,620**	66,500
	P17,746,600,924	P17,432,364,788

Trademark and Customer Relationships

The value of the trademark and customer relationship represent the purchase price of P16,477.73 million (see Note 9), which was determined after giving due consideration to various factors and valuation methodologies including the independent valuation study and analysis prepared by Punongbayan and Araullo, CPAs. The Company, after considering the said valuation methodologies, viewed the royalty relief (based on commercial rates) and multi-period excess earnings methodologies to be generally more relevant, compared to other methodologies that may be used to value the Company's trademarks and customer relationships, on the basis that such methodologies require fewer assumptions and less reliance on subjective reasoning since key assumptions come from primary sources based on the Company's filings and projections, actual industry precedents and industry common practice.

The recoverable amount of the trademark and customer relationship has been determined using cash flow projections covering a five-year period. It is based on a long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The 10.66% growth rate used is consistent with the long-term average growth rate for the Company's industry. The discount rate applied to after tax cash flow projections is 9.71% as at December 31, 2012.

Management assessed that there is no impairment loss in the value of trademark and customer relationship in 2013.

Goodwill

The goodwill represents the excess of the total acquisition cost over the fair value of the identifiable assets and liabilities assumed on the acquisition of the Subsidiary. Details are as follows:

a. Acquisition of PJSI

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

b. Acquisition of Kareila

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

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

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

The purchase price of P4,599.11 million represents the fair value of S&R trade name and customer relationship determined after considering various factors and performing valuation methodologies including the independent valuation study and analysis prepared by Punongbayan & Araullo, CPAs.

The Group incurred acquisition-related cost of P3.83 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income for the year ended December 31, 2012.

c. Acquisition of Gant

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

Consideration transferred	P743,840,961
Fair value of net assets	1,500,157
Goodwill	**P742,340,804**

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

The Group incurred acquisition-related cost of P0.19 million. This cost has been included as part of operating expenses in the consolidated statement of comprehensive income for the year ended December 31, 2012.

d. Acquisition of Company E

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

Consideration transferred	P360,065,000
Fair value of net assets	45,912,984
Goodwill	**P314,152,016**

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill amounting to P314.15 million.

12. Other Noncurrent Assets

This account consists of:

	Note	**2013**	2012
Security deposits	*18, 28, 29*	**P1,048,339,938**	P833,260,464
Noncurrent prepaid rent		**22,950,269**	186,738,080
Accrued rent income		**8,146,920**	18,073,246
		1,079,437,125	P1,038,071,790

13. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2013**	2012
Trade		**P3,441,036,049**	P5,470,349,792
Nontrade		**2,181,838,051**	1,763,553,437
Dividends payable		-	553,280,000
Withholding taxes payable		**78,479,476**	96,335,434
Accrued expenses:			
Advances from concessionaires		**385,323,729**	604,205,194
Manpower agency services		**461,188,565**	440,547,114
Utilities		**84,188,867**	131,507,667
Interest		**51,556,423**	52,113,272
Professional fees		**1,980,000**	47,206,697
Rent		**30,895,316**	40,304,454
Fixed asset acquisition		**12,834,998**	29,688,817
Others		**233,493,157**	57,826,808
	28, 29	**P6,962,814,631**	P9,286,918,686

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

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

14. Other Current Liabilities

This account consists of:

	Note	**2013**	2012
Deposits		**P102,883,714**	P104,920,848
Gift cheques		**32,420,723**	44,614,223
Exclusive fund		**10,808,902**	40,751,000
Output VAT - net		**59,747,218**	32,621,042
Promotion fund		**81,830,251**	27,845,301
Others		**834,300**	3,197,248
	28, 29	**P288,525,108**	P253,949,662

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.

15. Loans Payable

This account represents unsecured loans from a local bank to finance Kareila's working capital requirements. The principal and related interest is due monthly and is repriceable at 3.75 % per annum. In October and December 2012, Kareila paid P427.80 million of its loans payable.

Finance cost related to these loans amounted to P4.77 million and P19.73 million for the three-month period ended March 31, 2013 and the year ended December 31, 2012, respectively.

16. Long-term Debt

This account consists of:

	2013	2012
Unsecured Peso denominated (net of debt issue costs)		
Face amount	**P5,000,000,000**	P5,000,000,000
Less unamortized debt issue costs	**45,656,705**	47,788,638
Fixed corporate note net of debt issue costs	**4,954,343,295**	4,952,211,362
Less current portion	**43,604,204**	43,140,099
	P4,910,739,091	P4,909,071,263

On October 22, 2012, the Parent Company issued unsecured fixed rate corporate notes (Notes), with the following terms:

Face Amount	Terms
P4 billion	5.4481% interest per annum for five years
P1 billion	5.8673% interest per annum for seven years

Both Notes are payable at 1% of principal amount at the end of each year before maturity date, with the balance to be paid on maturity. The proceeds from the issuance of the Notes were used to finance the Group's expansion or other general corporate requirements.

The terms of the Notes provide for certain debt covenants relating to maintenance of certain financial ratios, working capital requirements, restrictions on guarantees and payment of dividends. As at March 31, 2013, the Group has complied with all debt covenants.

Total interest incurred on the above-mentioned long-term debt amounted to P5.72 million and P53.84 million for the period ended March 31, 2013 and the year ended December 31, 2012. Amortized debt issue costs as at March 31, 2013 and December 31, 2012 amounted to P2.13 million and P1.60 million, respectively.

The movements in debt issue costs are as follows:

	2013	2012
Balance at beginning of year	**P47,788,638**	P-
Additions	-	49,386,148
Amortizations	**2,131,933**	1,597,510
Balance at end of year	**P45,656,705**	P47,788,638

Repayment Schedule and Amortization of Debt Issue Costs

As at March 31, 2013, the annual maturities of long-term debt and amortization of debt issue costs are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2013	P50,000,000	P4,727,968	P45,272,032
2014	50,000,000	8,829,677	41,170,323
2015	50,000,000	9,223,309	40,776,691
2016	50,000,000	9,639,535	40,360,465
2017	3,850,000,000	10,079,653	3,839,920,347
2018	10,000,000	1,540,790	8,459,210
2019	940,000,000	1,615,773	938,384,227
	P5,000,000,000	**P45,656,705**	**P4,954,343,295**

17. Cost of Sales

This account for the three-month periods ended March 31 consists of:

	Note	**2013**	2012
Beginning inventory	*6*	**P6,611,541,340**	P4,522,929,063
Add purchases		**13,571,770,792**	8,732,003,884
Total goods available for sale		**20,183,312,132**	13,254,932,947
Less ending inventory	*6*	**6,924,925,273**	4,256,168,271
		P13,258,386,859	P8,998,764,676

18. Lease Agreements

As Lessee

The Group leases warehouses, parking space and certain land and buildings where some of its stores are situated or constructed. The terms of the lease are for the periods ranging from five to forty years, renewable for the same period under the same terms and conditions. The rent shall escalate by an average of 2.5% to 15.0%. Rental payments are fixed amounts which are calculated either fixed monthly rent or is calculated with reference to a fixed sum per square meter of area leased based on the contracts.

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

Rent expense included under "Operating expense" account in the consolidated statements of comprehensive income amounted to P387.82 and P268.56 million for the three-month periods ended March 31, 2013 and 2012, respectively (see Note 20).

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

	March 31 2013	December 31 2012
Due within one year	**P1,226,448,930**	P1,145,727,630
Due more than one year but not more than five years	**5,332,001,596**	5,103,902,126
Due more than five years	**25,416,662,008**	26,788,105,809
	P31,975,112,534	P33,037,735,565

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 14).

Rent income recognized in profit or loss for the three-month periods ended March 31, 2013 and 2012 amounted P70.15 million and P49.78 million, respectively (see Note 19).

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

	March 31 2013	December 31 2012
Due within one year	**P182,098,425**	P161,093,422
Due more than one year but not more than five years	**216,423,688**	273,836,570
Due more than five years	**77,421,361**	467,882,939
	P475,943,474	P902,812,931

19. Other Operating Income

This account for the three-month periods ended March 31 consists of:

	Note	**2013**	2012
Concession income		**P255,698,733**	P143,268,488
Display allowance		**113,716,636**	86,479,629
Rent income	*18*	**70,152,194**	49,775,103
Membership income		**42,619,283**	-
Miscellaneous		**9,710,940**	8,837,880
		P491,897,786	P288,361,100

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.

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

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

20. Operating Expenses

This account for the three-month periods ended March 31 consists of:

	Note	**2013**	2012
Rent	*18*	**P387,824,884**	P268,561,598
Manpower agency services		**368,215,209**	278,861,262
Communication, light and water		**294,678,304**	221,926,049
Salaries and wages		**237,144,617**	141,704,051
Depreciation and amortization	*10, 11*	**214,521,280**	138,067,338
Security services		**131,211,002**	81,799,850
Concession expense		**100,700,183**	
Taxes and licenses		**83,050,733**	48,126,809
Janitorial and messengerial services		**65,506,879**	25,704,474
Store and office supplies		**62,520,860**	66,963,616
Repairs and maintenance		**48,864,665**	34,689,584
Insurance		**21,764,745**	17,059,452
SSS/Medicare and HDMF contributions		**17,096,152**	10,616,350
Advertising and marketing		**16,269,546**	762,801
Retirement benefits cost	*23*	**10,930,075**	11,283,892
Disallowed input VAT		**10,679,521**	8,816,499
Fuel and oil		**8,793,829**	6,621,667
Professional fee		**6,798,933**	2,693,296

Royalty	**6,390,413**	5,404,667
Representation and entertainment	**6,007,068**	3,843,466
Transportation	**5,604,266**	2,727,122
Donations and contributions	**1,919,580**	2,919,580
Bank charges	**127,298**	18,341
Miscellaneous	**26,735,233**	17,756,040
	P2,133,355,275	P1,396,927,803

21. Others

This account for the three-month periods ended March 31 consists of:

	Note	**2013**	2012
Unrealized valuation gain on trading securities	*7*	**P4,285,435**	P4,862,600
Foreign exchange loss		**743,122**	-
Dividend income		**138,560**	200
Gain (loss) on disposal of property and equipment		**(154,762)**	249,999
		P5,012,355	P5,112,800

22. Related Party Transactions

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

		March 31 2013		
			Outstanding Balances	
Related Party	*Ref*	**Transactions for the three-month period ended March 31 2013**	**Due from Related Parties**	**Due to Related Parties**
Subsidiaries			**P-**	**P-**
Sale of merchandise	*c*	**P9,571,192**		
Rent expense	*a/c*	**19,142,761**		
Purchase of merchandise	*c*	**12,760,863**		**5,568,740**
Utilities	*c*	**948,320**		
Other Related Parties*			**47,659,325**	**50,974,818**
Purchase of merchandise	*c*	**57,366,422**		
Rent expense	*a*	**105,053,912**		
Concession expense	*b*	**100,700,182**		**27,121,464.64**
Utilities expense	*c*	**39,153,110**		
Employee benefits	*c*	**16,981**		
Communications	*c*	**181,050**		
Key Management Personnel			**-**	**6,390,413**
Royalty expense	*c/d*	**6,390,413**		
Short-term benefits	*e*	**5,538,897**		
Total		**P356,824,107**	**P47,659,325**	**P90,055,436**

*Other related parties pertain to entities under common control.

Related Party	Ref	Transactions for the three-month period ended March 31 2012	December 31 2012 Outstanding Balances Due from Related Parties	Due to Related Parties
Subsidiaries			P-	P-
Cash advance granted	*c*	P144,219,583		
Other Related Parties*			7,014,202	216,609,333
Rent expense	*a*	83,294,360		
Utilities expense	*c*	23,505,656		
Employee benefits	*c*	17,952		
Key Management Personnel			-	
Royalty expense	*c/d*	5,404,666		20,936,075
Total		P256,442,217	P7,014,202	P237,545,408

*Other related parties pertain to entities under common control.

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

a. Lease of Building

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

b. Consignment and Concession

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

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

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as are normally offered for sale by Consignee, at the selling areas at the four (4) stores.
- The Consignor shall give the Consignee a trade or volume discount of its gross sales.
- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.

- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in amount equivalent to five percent (5%) of the consignee's gross sales which was increased to ten percent (10%) through an amendment of the contract on January 1, 2011.

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

- The Consignor shall pay the Consignee a four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner, and within the periods stipulated.

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on the 1st day of March 2012, renewable upon mutual agreement of the parties.

c. Other Significant Transactions

These pertain to cash advances granted to and received from related parties, advances for property and equipment, purchases and sale of merchandise, rent expense, royalty fee, repairs and maintenance, utilities, communications, management fee and employee benefits are unsecured, noninterest-bearing and due and demandable. The Group has not made any allowance for impairment losses relating to receivables from related parties as at March 31, 2013 and December 31, 2012. This assessment is undertaken annually by management through examination of the financial position of related parties and the market in which they operate.

d. Royalty Agreement

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

e. Key Management Compensation

The Group has no key management compensation relating to post-employment benefits or other long-term benefits for the three-month period ended March 31, 2013

and the year ended December 31, 2012.

23. Retirement Benefit Costs

The Parent Company and its subsidiaries have a unfunded, 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 Group amounted to P10.93 million and P11.28 million for the three-month period ended March 31, 2013 and 2012, respectively.

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

	March 31 2013	December 31 2012
Present value of the defined benefit obligation	**P288,977,955**	P279,388,170
Unrecognized actuarial losses	**(120,883,360)**	(119,658,276)
Unamortized transitional liability	-	(2,565,374)
Retirement benefits liability	**P168,094,595**	P157,164,520

The movements of the present value of the defined benefit obligation as at and for the three-month period ended March 31, 2013 and for the year ended December 31, 2012 are shown below:

	March 31 2013	December 31 2012
Balance at beginning of year	**P279,388,170**	P147,999,230
Benefit obligation of newly acquired subsidiaries	-	37,204,144
Current service cost	**6,750,210**	32,214,225
Interest cost	**2,839,575**	20,021,094
Actuarial losses	-	41,949,477
Balance at end of year	**P288,977,955**	P279,388,170

The amount of retirement benefits cost recognized in profit or loss for the three-month periods ended March 31 consists of:

	2013	2012
Current service cost	**P6,750,210**	P6,904,767
Interest cost	**2,839,575**	2,327,288
Transitional liability recognized	-	59,102
Net actuarial loss recognized during the year	**612,302**	1,992,735
	P10,202,086	P11,283,892

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

	2013	2012
Discount rate	**5.62%**	5.62%
Future salary increase	**10.00%**	10.00%

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

	March 31 2013	December 31 2012	December 31 2011	December 31 2010	December 31 2009
Present value of the defined benefit obligation	**288,977,955**	P279,388,170	P147,999,230	P87,045,217	P67,711,518
Experience adjustments on plan liabilities	**10,202,086**	41,949,477	21,756,648	-	47,679,680

24. Income Taxes

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss for the three-month periods ended March 31 is as follows:

	2013	2012
Income before income tax	**P1,316,936,580**	P658,575,485
Income tax expense at the statutory income tax rate:		
30%	**P395,080,975**	P197,572,645
Income tax effects of:		
Non-deductible expenses (non-taxable income)-net subjected to final tax	**355,622**	44,949
Dividend income subjected to final tax	**(12,470)**	(60)
Interest income subjected to final tax	**(39,904,640)**	(6,176,868)
Unrealized marketable gain on trading securities	**(385,689)**	(1,458,780)
Loss on goodwill written off		
	P355,113,798	P189,981,886

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

		March 31 2013		December 31 2012
	Amount	**DTA (DTL)**	Amount	DTA (DTL)
Accrued rent expense	**P1,196,509,636**	**P358,952,890**	P1,111,047,913	P333,314,374
Retirement benefits liability	**173,936,234**	**52,180,970**	163,734,147	49,120,244
NOLCO	**28,273,483**	**17,004,093**	28,273,483	17,004,093
MCIT	**8,482,045**	**8,482,045**	8,482,045	8,482,045
Allowance for impairment losses on receivables	**7,527,357**	**2,258,207**	7,527,357	2,258,207
Unrealized foreign exchange loss	**1,523**	**457**	1,523	457
DTA	**1,414,730,278**	**424,419,083**	1,319,066,468	410,179,420
Fair value of intangible assets from business combination	**(4,577,827,743)**	**(1,373,348,322)**	(4,599,113,528)	(1,379,734,058)
Accrued rent income	**(25,066,922)**	**(7,520,077)**	(22,882,680)	(6,864,804)
DTL	**(4,602,894,665)**	**(1,380,868,399)**	(4,621,996,208)	(1,386,598,862)
Net	**(P3,188,164,387)**	**(P956,449,316)**	(P3,302,929,740)	(P976,419,442)

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

The Group has the following MCIT and NOLCO, which can be deducted against taxable income and regular income tax due as follows:

Date Incurred	Expiry Date	MCIT	NOLCO
June 30, 2010	June 30, 2013	P730,615	P11,016
June 30, 2011	June 30, 2014	1,755,318	2,981,113
May 31, 2012	May 31, 2015	5,283,452	48,263,212
December 31, 2012	December 31, 2015	712,660	5,424,970
		P8,482,045	P56,680,311

25. Equity

Capital Stock and Additional Paid-in Capital

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

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

In May 2012, the Parent Company acquired 100% equity interest of Kareila in exchange for the 766,406,250 common shares of the Parent Company's authorized but unissued capital stock. The fair value of shares as at the acquisition date is P21.50 per share. The

additional paid-in capital net of direct transaction costs amounted to P15,661.57 million.

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

Retained Earnings
On May 8, 2012, the BOD declared a special cash dividend of P0.20 per share or P400 million to stockholders of record as at May 22, 2012. This was paid on June 5, 2012.

In a meeting held on December 27, 2012, the Parent Company's Board of Directors approved the declaration of cash dividend amounting to P553.28 million equivalent to P0.20 per share, divided into P0.10 regular dividend and P0.10 special dividend to stockholders of record as at January 14, 2013. The related cash dividends were paid on February 7, 2013.

26. Segment Information

The Group operates through stores in several locations. The income statement per store is reviewed by the Chief Operating Decision Maker on a monthly basis and assessed each store's profitability through its net profit and not on the basis of the component of the income statements. The Group's income statement is eventually consolidated and used in the assessment of the Group's profitability as a whole. The nature of products, class of customers, and regulatory environment is the same for all the stores.

Accordingly, management has assessed that there is no reportable segment distinct and separate from that of the subsidiaries.

27. Basic/Diluted EPS Computation

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

	2013	2012
Net income (a)	**P961,822,782**	P468,593,599
Weighted average number of ordinary shares (b)	**2,766,406,250**	2,000,000,000
Basic/diluted EPS (a/b)	**P0.35**	P0.23

As at March 31, 2013 and 2012, the Group has no dilutive debt or equity instruments.

28. 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
- Foreign Currency Risk

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

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

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

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

Credit Risk

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

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

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

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

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

	Note	**March 31 2013**	December 31 2012
Cash in banks and cash equivalents	*4*	**P5,492,668,785**	P8,574,035,623
Investments in trading securities	*7*	**39,231,956**	34,946,521
Receivables - net	*5*	**1,267,636,386**	956,866,308
Due from related parties		**47,659,325**	7,014,202

Available-for-sale financial assets	*9*	**7,879,160**	7,879,160
Security deposits	*12*	**1,161,575,185**	833,260,464
		P7,547,596,695	P10,414,002,278

The following is the aging analysis per class of financial assets that are past due but not impaired:

March 31, 2013	**Neither Past Due nor Impaired**	**Past Due but not Impaired**				
		1 to 30 Days	**31 to 60 Days**	**More than 60 Days**	**Impaired**	**Total**
Cash in bank and cash equivalents	**P5,492,668,785**	**P -**	**P -**	**P -**	**P -**	**P5,492,668,785**
Investments in trading securities	**39,231,956**	**-**	**-**	**-**	**-**	**39,231,956**
Receivables - net	**1,268,216,624**	**1,010,817,950**	**118,649,940**	**131,366,490**	**7,382,242**	**1,268,216,624**
Due from related parties	**47,659,325**	**-**	**-**	**-**	**-**	**47,659,325**
AFS financial assets	**7,879,160**	**-**	**-**	**-**	**-**	**7,879,160**
Security deposits	**1,161,575,185**	**-**	**-**	**-**	**-**	**1,161,575,185**
	P7,547,596,695	**P1,010,817,950**	**P118,649,940**	**P131,366,400**	**P7,382,242**	**P7,547,596,695**

December 31, 2012	Neither Past Due nor Impaired	Past Due but not Impaired				
		1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P8,574,035,623	P -	P -	P -	P -	P8,574,035,623
Investments in trading securities	34,946,521	-	-	-	-	34,946,521
Receivables - net	723,019,039	90,219,236	100,574,663	43,053,370	7,462,327	964,328,635
Due from related parties	4,412,206	1,747,486	720,312	134,198	-	7,014,202
AFS financial assets	7,879,160	-	-	-	-	7,879,160
Security deposits	833,260,464	-	-	-	-	833,260,464
	P10,177,553,013	P91,966,722	P101,294,975	P43,187,568	P7,462,327	P10,421,464,605

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

a. Cash in bank, cash equivalents and restricted cash and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit risk for investment in trading securities and AFS financial assets are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations

as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

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

	As at March 31, 2013				
	Carrying Amount	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year - 5 Years**	**More than 5 Years**
Financial Liabilities					
Accounts payable and accrued expenses (excluding statutory payables to the government)	**P6,884,335,158**	**P6,884,335,158**	**P6,884,335,158**	**P -**	**P -**
Due to related parties	**90,055,436**	**90,055,436**	**90,055,436**	**-**	**-**
Trust receipts payable	**14,423,459**	**14,428,459**	**14,423,459**	**-**	**-**
Long-term debt including current portion	**4,954,343,295**	**6,466,217,270**	**326,597,000**	**5,078,728,300**	**1,060,891,970**
Dividends payable				**-**	**-**
Loans payable	**508,500,000**	**508,500,000**	**508,500,000**	**-**	**-**
Other current liabilities (excluding gift cheques, exclusive fund, VAT payable and promotion fund)	**103,718,014**	**103,718,014**	**103,718,014**	**-**	**-**
Noncurrent accrued rent	**1,194,431,106**	**1,194,431,106**	**2,617,798**	**84,586,977**	**1,106,826,330**

	As at December 31, 2012				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses (excluding statutory payables to the government)	P9,190,583,252	P9,190,583,252	P9,190,583,252	P -	P -
Due to related parties	237,545,408	237,545,408	237,545,408	-	-
Trust receipts payable	8,130,029	8,130,029	8,130,029	-	-
Long-term debt including current portion	4,952,211,362	6,466,217,270	326,597,000	5,078,728,300	1,060,891,970
Dividends payable	553,280,000	553,280,000	553,280,000	-	-
Loans payable	508,500,000	508,500,000	508,500,000	-	-
Other current liabilities (excluding gift cheques, exclusive fund, VAT payable and promotion fund)	108,118,096	108,118,096	108,118,096	-	-
Noncurrent accrued rent	1,120,906,123	1,120,906,123	4,867,324	76,253,902	1,039,784,897

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, short-term and long-term loans. Cash deposits, short-term and long-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 2013	December 31 2012
Financial assets	**P5,492,668,785**	P8,574,035,623
Financial liabilities	**5,474,266,754**	5,468,841,391

Sensitivity Analysis
A 2% increase in interest rates would have decreased equity and net income by P0.26 million and P43.47 million for March 31, 2013 and December 31, 2012, respectively. A 2% decrease in interest rates would have had the equal but opposite effect, on the basis that all other variables remain constant.

Foreign Currency Risk
The Group's foreign currency risk at March 31, 2013 pertains to its cash in bank which is denominated in US dollar.

The Group's foreign currency denominated assets as at March 31, 2013 follow:

	Cash	**Exchange Rate**	**PHP Equivalent**
US Dollar	**2,477.65**	**40.80**	**101,088.12**

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

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

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

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

As at March 31, 2013 and December 31, 2012, the Group is compliant with the minimum public float requirements of the PSE.

29. 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):

	March 31 2013		December 31 2012	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P5,958.11**	**P5,958.11**	P9,084.33	P9,084.33
Receivables - net	**1,267.64**	**1,267.64**	956.87	956.87
Due from related parties	**47.66**	**47.66**	7.01	7.01
Investments in trading securities	**39.23**	**39.23**	34.95	34.95
Available-for-sale financial assets (included under "Investments" 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)	**1,161.58**	**1,161.58**	833.26	833.26
Financial Liabilities				
Accounts payable and accrued expenses (excluding statutory payables to the government)	**6,884.33**	**6,884.33**	9,190.58	9,190.58
Due to related parties	**90.06**	**90.06**	237.55	237.55
Trust receipts payable	**14.42**	**14.42**	8.13	8.13
Other current liabilities (excluding gift cheques, exclusive fund, VAT payable and promotion fund)	**103.72**	**103.72**	108.12	108.12
Noncurrent accrued rent	**1,215.63**	**1,215.63**	1,120.91	1,120.91
Long term debt including current maturities	**4,954.34**	**4,954.34**	4,952.21	4,952.21

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

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

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

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

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

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

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

Long-term Debt

The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Effective rates used in 2013 and 2012 are 5.69% and 6.05% for the 5-year notes and 7-year notes, respectively.

Fair Value Hierarchy

The table below shows the analysis of 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).

March 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Investments in trading securities	**P34,946,521**	**P -**	**P -**	**P34,946,521**
Available-for-sale financial assets	**7,879,160**	**-**	**-**	**7,879,160**

December 31, 2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments in trading securities	P34,946,521	P -	P -	P34,946,521
Available-for-sale financial assets	7,879,160	-	-	7,879,160

In March 31, 2013 and December 31, 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.