

COVER SHEET

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SEC Registration Number

PUREGOLD PRICE CLUB, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,
MANILA

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

CANDY H. DACANAY-DATUON

(Contact Person)

(632) 8522-8801 to 04

(Company Telephone Number)

1 2

Month

3 1

Day

SEC FORM 17-Q

(Form Type)

0 5

Month

1 0

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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: **March 31, 2022**
2. Commission identification number: **A199813754**
3. BIR Tax Identification No.: **201-277-095**
4. Exact name of issuer as specified in its charter: **Puregold Price Club, Inc.**
5. Province, country or other jurisdiction of incorporation or organization: **Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: **No. 900 D. Romualdez St., Paco, Manila** Postal Code: **1007**
8. Issuer's telephone number, including area code: **(632) 8522-8801/ (632)917-861-2459**
9. Former name, former address and former fiscal year, if changed since last report: **None**
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

2,881,637,615
P11,880,000,000.00

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

Yes [/] No []

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

Philippine Stock Exchange/ Common Shares

Common Share

12. Indicate by check mark whether the registrant:

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

Yes [/] No []

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

Yes [/] No []

FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached **SECTION A**

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

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

Top Key Performance Indicators

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

	March 2022	December 2021
Current Ratio ⁽¹⁾	5.08:1	3.84:1
Asset to Equity Ratio ⁽²⁾	1.77:1	1.85:1
Debt to Equity Ratio ⁽³⁾	0.77:1	0.85:1
Debt to Total Assets Ratio ⁽⁴⁾	0.43:1	0.46:1
Book Value per Share ⁽⁵⁾	P27.05	P26.31
Price Earnings Ratio ⁽⁶⁾	*11.91x	13.78x

** Based on annualized EPS*

	March 2022	March 2021
Earnings per Share ⁽⁷⁾	P0.75	P0.70
Return on Assets ⁽⁸⁾	1.6%	1.6%
Return on Equity ⁽⁹⁾	2.8%	2.9%

- (1) Current Assets over Current Liabilities
- (2) Total Assets over Total Equity
- (3) Total Liabilities over Total Equity
- (4) Total Liabilities over Total Assets
- (5) Total Equity over Total Common Shares Outstanding
- (6) Market Value per Share over Earnings per Share
- (7) Net income after tax over Weighted Average Common Shares Outstanding
- (8) Net income after tax over Average Total Assets
- (9) Net income after tax over Average Total Equity

I. Results of Operations

For the period ended March 31, 2022, the Group earned a consolidated net income of P2,151 million at 5.6% net margin and an increase of 6.5% from P2,020 million at 5.4% net margin in the same period of 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, strategic cost management and sustained strong consumer demand.

The Group's comparative financial performance is presented below:

<i>(In millions)</i>	For the Three-month Periods Ended March 31				
	2022		2021		
		% to Sales		% to Sales	% Change
Net Sales	P38,507	100.0%	P37,729	100.0%	2.1%
Cost of Sales	30,809	80.0%	30,519	80.9%	1.0%
Gross Profit	7,698	20.0%	7,210	19.1%	6.8%
Other Operating Income	707	1.8%	810	2.1%	-12.8%
Gross Income	8,405	21.8%	8,020	21.3%	4.8%
Operating Expenses	4,954	12.9%	4,714	12.5%	5.1%
Operating Income	3,451	9.0%	3,306	8.8%	4.4%
Other expenses – net	(608)	-1.6%	(639)	-1.7%	-4.7%
Net Income before tax	2,843	7.4%	2,668	7.1%	6.6%
Income tax expense	692	1.8%	647	1.7%	6.9%
Net Income after tax	P2,151	5.6%	P2,020	5.4%	6.5%

Net Sales

For the period ended March 31, 2022, the Group posted a consolidated net sales of P38,507 million for an increase of P778 million or 2.1% compared to P37,729 million in the same period of 2021. Net sales slightly grew due to sales contribution from full operation of 2021 new stores and revenue from 2022 newly opened stores of both Puregold and S&R.

Like for like sales performance indicators for the period ended March 31 are as follow:

	PGOLD		S&R	
	2022	2021	2022	2021
Net Sales	-4.5%	-15.2%	-1.3%	8.8%
Net Ticket	-7.1%	35.5%	8.0%	3.6%
Traffic	2.8%	-37.4%	-8.7%	5.1%

Gross Profit

For the period ended March 31, 2022, the Group realized an increase of 6.8% in consolidated gross profit from P7,210 million in 2021 at 19.1% margin to P7,698 million at 20.0% margin in the same period of 2022, driven by strong and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income decreased by P103 million or 12.8% from P810 million in the three months of 2021 to P707 million in the same period of 2022. This is attributable to decline in concession income due to lower concession sales during the period.

Gross Operating Income

Gross operating income for the first quarter of 2022 amounted to P8,405 million at a gross operating margin of 21.8% and an increase of P385 million or 4.8% from P8,020 million at 21.3% margin in the same period of 2021.

Operating Expenses

Operating expenses increased by P240 million or 5.1% from P4,714 million in the three-month period ended March 31, 2021 to P4,954 million in the same period of 2022. Increase in the account is primarily due to full operation of 2021 new stores and expenses from the 2022 newly opened stores, specifically utilities, supplies, transportation and advertising expenses.

Other Expense - net

Other expenses net of other income amounted to P608 million and P639 million for the three-month periods ended March 31, 2022 and 2021, respectively. This is primarily due to increase on accretion of interest on leased assets in compliance with *PFRS 16 – Leases*.

Net Income

For the period ended March 31, 2022, the Group earned a consolidated net income of P2,151 million at 5.6% net margin and an increase of 6.5% from P2,020 million at 5.4% net margin in the same period of 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, strategic cost management and sustained strong consumer demand.

II. Financial Condition

The Group's consolidated statements of financial position are presented below:

<i>(In millions)</i>	March 2022		December 2021		
		% to Total Assets		% to Total Assets	% Change
Cash & Cash Equivalents	P32,363	23.6%	P41,312	29.6%	-21.7%
Receivables – net	2,779	2.0%	2,179	1.6%	27.5%
Merchandise inventory	23,734	17.3%	21,559	15.5%	10.1%
Investments in trading securities	3,035	2.2%	31	0.0%	9778.0%
Prepaid expenses and other current assets	1,494	1.1%	851	0.6%	75.5%
Total Current Assets	63,404	46.3%	65,931	47.3%	-3.8%
Investments in associates and joint venture	637	0.5%	637	0.5%	0.0%
Property and equipment- net	23,249	17.0%	23,070	16.5%	0.8%
Intangibles and goodwill	19,710	14.4%	19,703	14.1%	0.0%
Right-of-use assets – net	25,994	19.0%	26,217	18.8%	-0.8%
Deferred tax assets – net	1,378	1.0%	1,334	1.0%	3.3%
Other noncurrent assets	2,579	1.9%	2,543	1.8%	1.4%
Total Noncurrent Assets	73,546	53.7%	73,503	52.7%	0.1%
	P136,950	100.0%	P139,434	100.0%	-1.8%
Accounts payable and accrued expenses	9,349	6.8%	14,423	10.3%	-35.2%
Short-term loans payable	-	0.0%	-	0.0%	0.0%
Income tax payable	1,565	1.1%	854	0.6%	83.3%
Due to related parties	13	0.0%	46	0.0%	-71.0%
Current maturities of long - term loans, net of debt issue costs	120	0.1%	120	0.1%	0.0%
Lease liabilities due within one year	1,030	0.8%	1,092	0.8%	-5.7%
Other current liabilities	414	0.3%	651	0.5%	-36.4%
Total Current Liabilities	12,492	9.1%	17,185	12.3%	-27.3%
Long-term loans - net of current maturities and debt issue costs	11,654	8.5%	11,650	8.4%	0.0%
Lease liabilities	33,938	24.8%	33,827	24.3%	0.3%
Retirement benefits liability	1,293	0.9%	1,295	0.9%	-0.2%
Total Noncurrent Liabilities	46,885	34.2%	46,773	33.5%	0.2%
Total Liabilities	59,377	43.4%	63,958	45.9%	-7.2%
Capital stock	2,904	2.1%	2,904	2.1%	0.0%
Additional paid in capital	25,362	18.5%	25,362	18.2%	0.0%
Remeasurements of retirement liability - net of tax	151	0.1%	151	0.1%	0.0%
Treasury stock, at cost	(167)	-0.1%	(113)	-0.1%	48.1%
Retained earnings	49,323	36.0%	47,171	33.8%	4.6%
Total Equity	77,573	56.6%	75,476	54.1%	2.8%
	P136,950	100.0%	P139,434	100.0%	-1.8%

Working Capital

As at March 31, 2022 and December 31, 2021, the Group's working capital stood at P50,912 million and P48,746 million, respectively while its current ratio improved to 5.08 as at March 2022 from 3.84 as at December 2021.

Current Assets

As at March 31, 2022 and December 31, 2021, total current assets amounted to P63,404 million or 46.3% of total assets and P65,931 million or 47.3% of total assets, respectively, for a decrease of P2,527 million or 3.8%.

Cash and cash equivalents as at March 31, 2022 amounted to P32,363 million or 23.6% of total assets and decreased by P8,949 million or 21.7% compared to previous year-end balance. Decrease in the Group's cash position was attributable mainly to the net settlement of trade and non-trade payables, payment for cash dividend, investment on government securities and capital expenditures for 2022 new organic stores.

Receivables amounted to P2,779 million as at March 31, 2022 or 2.0% of total assets, with an increase of P600 million or 27.5% from P2,179 million in December 2021. This was mainly due to increase on trade receivables of Kareila in line with increase in sales as well as increase on non-trade receivables pertaining to suppliers' various promotional funds during the period.

Merchandise inventory amounted to P23,734 million or 17.3% of total assets at the end of March 2022. Total inventory increased by P2,175 million or 10.1% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Investments in trading securities amounted to P3,035 million and P31 million as at March 31, 2022 and December 31, 2021, respectively. The increase of P3,004 million was due to purchase of a new government bond during the period.

Prepaid expenses and other current assets amounted to P1,494 million and P851 million as at March 31, 2022 and December 31, 2021, respectively. The increase was mainly due to prepayments of taxes and licenses to be amortized during the year.

Noncurrent Assets

As at March 31, 2022 and December 31, 2021, total noncurrent assets amounted to P73,546 million or 53.7% of total assets and P73,503 million or 52.7% of total assets, respectively.

Investments amounted to P637 million as at March 31, 2022 and December 31, 2021.

Net book values of property and equipment increased by P179 million or 0.8% from P23,070 million in December 2021 to P23,249 million in March 2022. The increase was mainly due to additions made during the period intended for newly established stores.

Intangibles amounted to P19,710 million as at March 31, 2022 and P19,703 million as at December 31, 2021.

Right-of-use asset amounted to P25,994 million or 19.0% of total assets and P26,217 million or 18.8% of total assets as at March 31, 2022 and December 31, 2021, respectively.

Deferred tax assets – net amounted to P1,378 million or 1.0% of total assets and P1,334 million or 1.0% of total assets as at March 31, 2022 and December 31, 2021, respectively, for an increase of 3.3% or P44 million. The increase was due to recognition of deferred tax in compliance with PFRS 16 – Leases.

Other noncurrent assets amounted P2,579 million as at March 31, 2022 and P2,543 million as at December 31, 2021.

Current Liabilities

As at March 31, 2022 and December 31, 2021, total current liabilities amounted to P12,492 million or 9.1% of total assets and P17,185 million or 12.3% of total assets, respectively, for a decrease of P4,693 million or 27.3% as at March 31, 2022.

Accounts payable and accrued expenses amounted to P9,349 million and P14,423 million as at March 31, 2022 and December 31, 2021, respectively, and decreased by P5,074 million or 35.2% primarily due to settlement of trade liabilities, bulk of which came from the high year end payables, and payment of dividends declared in previous year.

Income tax payable increased by P711 million from P854 million in December 2021 to P1,565 million in March 2022 due to recognition of income tax liability for the first quarter of 2022.

Due to related parties, representing royalty fees, amounted to P13 million for the period ended March 2022 and P46 million for the year ended December 2021. The decrease was due to settlement of liability incurred as at December 2021.

Other current liabilities decreased by P237 million or 36.4% from P651 million in December 2021 to P414 million in March 2022. The decrease was mainly due to settlement of VAT from previous year.

Noncurrent Liabilities

As at March 31, 2022 and December 31, 2021, total noncurrent liabilities amounted to P46,885 million or 34.2% of total assets and P46,773 million or 33.5% of total assets, respectively, for an increase of P112 million as at March 31, 2022.

Long-term debt – net of current maturities and debt issue costs amounted to P11,654 million as at March 31, 2022 and P11,650 million as at December 31, 2021.

Lease liabilities amounted to P33,938 million or 24.8% of total assets and P33,827 million or 24.3% of total assets as at March 31, 2022 and December 31, 2021, respectively, or an increase of P111 million.

Retirement benefits liability amounted to P1,293 million and P1,295 million as at March 31, 2022 and December 31, 2021, respectively.

Equity

As at March 31, 2022 and December 31, 2021, total equity amounted to P77,573 million and P75,476 million, respectively, for an increase of P2,097 million or 2.8%.

Capital stock amounted to P2,904 million as at March 31, 2022 and December 31, 2021.

Additional paid in capital amounted to P25,362 million as at March 31, 2022 and December 31, 2021.

Retained earnings amounted to P49,323 million and P47,171 million as at March 31, 2022 and December 31, 2021, respectively, or an increase of P2,152 million or 4.6% due to income made during the period.

III. Sources and Uses of Cash

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

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

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

<i>(In millions)</i>	For the Three-month Periods Ended March 31	
	2022	2021
Net cash used in operating activities	(P2,707)	(P7,584)
Net cash used in investing activities	(3,794)	(2,567)
Net cash used in financing activities	(2,447)	(2,185)
Net decrease in cash and cash equivalents	(P8,949)	(P12,336)

Net cash used in operating activities amounted to P2,707 million for the three month period ended March 31, 2022. Net cash used in operating activities for the three-month period ended March 31, 2021 amounting to P7,584 million were mainly attributable to settlement of payables to both trade and nontrade suppliers, purchase of inventories and other related current operating items to support the Group's expansion.

Net cash used in investing activities for the three-month period ended March 31, 2022 amounting to P3,794 million were utilized for the acquisition of equipment, furniture & fixtures, construction of buildings and improvements on leased assets. The Parent Company also purchased a government security amounting to P3 billion.

Net cash used in financing activities for the three-month period ended March 31, 2022 amounting to P2,447 million pertain to dividend payment and lease liabilities during the period.

IV. Material Events and Uncertainties

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

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

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

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

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

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

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

SIGNATURES

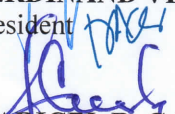
Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this *First Quarter Financial Statement of Puregold Price Club, Inc.* and its subsidiaries for the year 2022 to be signed on its behalf by the undersigned thereunto duly authorized.

May 12, 2022 in the City of Manila, Philippines.

PUREGOLD PRICE CLUB, INC.

By:


FERDINAND VINCENT P. CO
President


MARICEL R. CAMBE
Senior Finance Manager


GRACE E. SY
Treasurer

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and December 31, 2021

and for the Three Months Ended March 31, 2022 and 2021

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

	Note	March 2022	December 2021
ASSETS			
Current Assets			
Cash and cash equivalents	4	P32,363,017,082	P41,311,594,337
Receivables - net	5	2,778,707,877	2,178,899,221
Merchandise inventories	6	23,733,586,276	21,558,632,962
Financial assets at fair value through profit or loss	7	3,035,094,393	30,725,784
Prepaid expenses and other current assets	8	1,493,555,747	850,856,380
Total Current Assets		63,403,961,375	65,930,708,684
Noncurrent Assets			
Investment in associate and joint venture	9	636,548,430	636,548,430
Property and equipment - net	10	23,249,288,630	23,069,507,813
Goodwill and other intangibles	12	19,709,840,573	19,703,406,518
Right-of-use assets - net	11	25,993,812,077	26,216,543,708
Deferred tax assets - net	25	1,377,803,144	1,334,336,861
Other noncurrent assets	13, 19	2,578,536,503	2,542,755,204
Total Noncurrent Assets		73,545,829,357	73,503,098,534
		P136,949,790,732	P139,433,807,218
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14, 23, 26	P9,349,179,338	P14,422,700,429
Income tax payable		1,565,332,156	853,926,473
Current portion of long-term loans	15	120,000,000	120,000,000
Lease liabilities due within one year	19	1,029,863,454	1,091,723,186
Due to related parties	23	13,286,577	45,868,433
Other current liabilities	16	414,025,420	650,596,842
Total Current Liabilities		12,491,686,945	17,184,815,363
Noncurrent Liabilities			
Noncurrent portion of long-term loans	15	11,654,291,621	11,650,457,761
Lease liabilities	19	33,938,146,485	33,827,242,904
Retirement benefits liability	24	1,292,593,726	1,295,298,962
Total Noncurrent Liabilities		46,885,031,832	46,772,999,627
Total Liabilities		59,376,718,777	63,957,814,990
Equity			
Capital stock	26	2,904,214,086	2,904,214,086
Additional paid-in capital		25,361,670,581	25,361,670,581
Retirement benefits reserve		151,224,280	151,224,280
Treasury stock		(166,739,633)	(112,593,218)
Retained earnings		49,322,702,641	47,171,476,499
Total Equity		77,573,071,955	75,475,992,228
		P136,949,790,732	P139,433,807,218

See Notes to the Interim Consolidated Financial Statements.

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

		Periods Ended March 31	
	Note	2022	2021
NET SALES	17	P38,507,338,645	P37,728,812,179
COST OF SALES	6, 18	30,809,115,408	30,518,583,880
GROSS INCOME		7,698,223,237	7,210,228,299
OTHER REVENUE	17, 19, 20	706,675,949	810,114,262
TOTAL GROSS INCOME AND OTHER REVENUE		8,404,899,186	8,020,342,561
OPERATING EXPENSES	21	4,953,670,103	4,714,048,097
INCOME FROM OPERATIONS		3,451,229,083	3,306,294,464
OTHER CHARGES			
Interest expense	10, 15, 19	697,146,986	730,531,464
Interest income	4, 7	(82,571,119)	(93,581,915)
Others – net	22	(6,155,520)	1,805,910
		608,420,347	638,755,459
INCOME BEFORE INCOME TAX		2,842,808,736	2,667,539,005
PROVISION FOR INCOME TAX			
Current		735,048,878	707,035,028
Deferred		(43,466,284)	(59,926,957)
	25	691,582,594	647,108,071
NET INCOME		P2,151,226,142	P2,020,430,934
Basic and diluted earnings per share	28	P0.75	P0.70

See Notes to the Interim Consolidated Financial Statements.

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

Periods Ended March 31

	Note	Capital Stock	Additional Paid-in Capital	Retirement Benefits Reserve	Treasury Stock	Retained Earnings	Total Equity
Balance at December 31, 2020		P2,904,214,086	P25,361,670,581	(P118,634,185)	(P71,253,489)	P40,425,722,939	P68,501,719,932
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	2,020,430,934	2,020,430,934
Other comprehensive income		-	-	-	-	-	-
		-	-	-	-	2,020,430,934	2,020,430,934
Transactions with Owners of the Parent Company							
Issuance of common shares	26	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-
		-	-	-	-	-	-
Balance at March 31, 2021		P2,904,214,086	P25,361,670,581	(P118,634,185)	(P71,253,489)	P42,446,153,873	P70,522,150,866
Balance at December 31, 2021							
		P2,904,214,086	P25,361,670,581	P151,224,280	(P112,593,218)	P47,171,476,499	P75,475,992,228
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	2,151,226,142	2,151,226,142
Other comprehensive income		-	-	-	-	-	-
		-	-	-	-	2,151,226,142	2,151,226,142
Transaction with Owners of the Parent Company							
Treasury shares - at cost	26	-	-	-	(54,146,415)	-	(54,146,415)
Cash dividends		-	-	-	-	-	-
		-	-	-	(54,146,415)	-	(54,146,415)
Balance at March 31, 2022		P2,904,214,086	P25,361,670,581	P151,224,280	(P166,739,633)	P49,322,702,641	P77,573,071,955

See Notes to the Interim Consolidated Financial Statements.

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

		Periods Ended March 31	
	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P2,842,808,736	P2,667,539,005
Adjustments for:			
Depreciation and amortization	10, 11, 12, 21	1,111,572,251	1,128,026,968
Interest expense	10, 15, 19	697,146,986	730,531,464
Interest income	4, 7	(82,571,119)	(93,581,915)
Retirement benefits cost	21, 24		
Gain from disposal of property and equipment	19, 22	-	(25,999)
Loss from lease terminations	19, 22	-	2,323,843
Gain from insurance claims	22	(2,344,315)	-
Unrealized valuation loss (gain) on financial assets at fair value through profit or loss	22	(3,485,798)	2,117,063
Dividend income	7, 22	(738,828)	(715,497)
Operating income before changes in working capital		4,562,387,913	4,436,214,932
Decrease (increase) in:			
Receivables		(599,808,656)	(3,746,964,553)
Merchandise inventories		(2,174,953,314)	(2,089,659,151)
Prepaid expenses and other current assets		(666,342,562)	(828,848,360)
Increase (decrease) in:			
Trade and other payables		(3,639,252,887)	(5,430,055,623)
Due to related parties		(32,581,856)	(35,982,955)
Other current liabilities		(236,571,422)	18,179,013
Cash generated from operations		(2,787,122,784)	(7,677,116,697)
Income taxes paid		-	-
Interest received		82,571,119	93,581,915
Retirement benefits paid	24	(2,705,236)	(470,942)
Net cash used in operating activities		(2,707,256,901)	(7,584,005,724)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	10	(745,235,402)	(1,009,370,641)
Intangibles	12	(18,183,012)	(8,214,362)
Financial assets at fair value through profit or loss		(3,000,882,811)	(1,616,137,952)
Proceeds from:			
Financial assets at fair value through profit or loss		-	-
Disposal of property and equipment	10	2,659,842	6,867,525
Insurance claims	22	2,344,315	-
Increase in other noncurrent assets	13	(35,781,299)	59,072,271
Dividends received	7	738,828	715,497
Net cash used in investing activities		(3,794,339,539)	(2,567,067,662)

Forward

		Periods Ended March 31	
	Note	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of lease:	19		
Interest expense		(P569,765,466)	(P601,323,819)
Principal amount		(265,253,071)	(166,936,531)
Payments of:			
Cash dividends	26	(1,434,268,203)	(1,291,356,633)
Interest expense		(123,547,660)	(125,373,786)
Debt issuance cost		-	-
Repayments of:	15		
Long-term loans		-	-
Short-term loans		-	-
Acquisition of treasury shares		(54,146,415)	-
Availment of long-term loans	15	-	-
Proceeds from issuance of common shares	26	-	-
Net cash used in financing activities		(2,446,980,815)	(2,184,990,769)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,948,577,255)	(12,336,064,155)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		41,311,594,337	32,724,093,663
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P32,363,017,082	P20,388,029,508

See Notes to the Interim Consolidated Financial Statements

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

1. Reporting Entity

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

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

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

	Percentage of Ownership	
	2022	2021
Kareila Management Corporation	100	100
S&R Pizza (Harbor Point), Inc. ^(a)	100	100
S&R Pizza, Inc. ^(a)	100	100
PPCI Subic, Inc.	100	100
Entenso Equities Incorporated	100	100
Purepadala, Inc. ^(b)	100	100

(a) Indirect subsidiaries through Kareila Management Corporation

(b) Not yet started operations

All subsidiaries are essentially engaged in the same business as the Parent Company, except for Entenso Equities Incorporated (“Entenso”) and Purepadala, Inc. (“Purepadala”).

Entenso’s primary purpose is to invest in, purchase, subscribe for, or otherwise acquire and own, hold, use, develop, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real and personal property of every kind of description.

Purepadala’s primary purpose is to engage in business of money remittance or service as defined in the Bank Sentral ng Pilipinas (BSP) Circular No. 942, Series of 2017.

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on May 6, 2022.

Historical cost is used as the measurement basis except for:

Items	Measurement Bases
Financial assets at FVTPL	Fair value
Financial assets at FVOCI	Fair value
Retirement benefits liability	Present value of defined benefit obligation less fair value of plan asset

These consolidated financial statements are presented in Philippine peso (P), unless otherwise stated.

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.

Significant Judgments, Estimates and Assumptions

The preparation of consolidated financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities which, by definition, will seldom equal the actual results. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of the Group's current and future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Group's actual future results, performance and achievements to differ materially from those forecasted

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:

Determining the Term and Discount Rate of Lease Arrangements (Note 19)

Where the Group is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Group as lessee, management uses the incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of parcels of land, stores, warehouses, distribution centers and parking spaces, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term

Operating Leases - Group as a Lessor (Notes 19 and 20)

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

Rent income recognized in profit or loss amounted to P100.0 million and P76.7 million in March 2022 and 2021, respectively.

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 (Notes 5 and 29)

The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, 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 carrying amount of receivables amounted to P2.8 billion and P2.2 billion as at March 31, 2022 and December 31, 2021, respectively.

Estimating Net Realizable Value (NRV) of Merchandise Inventories (Note 6)

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

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

The carrying amount of merchandise inventories amounted to P23.7 billion and P21.6 billion as at March 31, 2022 and December 31, 2021, respectively.

Impairment of Goodwill and Other Intangibles with Indefinite Lives (Note 12)

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

The carrying amounts of goodwill and other intangibles with indefinite lives totaled P19.5 billion as at March 31, 2022 and December 31, 2021.

Impairment of Non-financial Assets Other than Goodwill

The Group assesses impairment on non-financial assets, other than inventories and deferred tax assets, when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Determining the net 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 results of operations.

There are no impairment indicators affecting the Group's non-financial assets as at March 31, 2022 and December 31, 2021.

As at March 31, 2022 and December 31, 2021, the following are the carrying amounts of nonfinancial assets:

	Note	March 2022	December 2021
Right-of-use assets - net	11	P25,993,812,077	P26,216,543,708
Property and equipment - net	10	23,249,288,630	23,069,507,813
Investment in associate and joint venture	9	636,548,430	636,548,430
Computer software and licenses, and leasehold rights	12	208,303,724	201,869,669

Estimating Realizability of Deferred Tax Assets (Note 25)

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

As at March 31, 2022 and December 31, 2021, the Group recognized deferred tax assets amounting to P1.4 billion and P1.3 billion, respectively..

Estimating Retirement Benefits Liability (Note 24)

The present value of the retirement benefits liability depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for retirement benefits include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits liability. Other key assumptions include future salary, mortality and attrition. Additional information is disclosed in Note 24.

Retirement benefits liability amounted to P1.3 billion as at March 31, 2022 and December 31, 2021, respectively.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards and Frameworks

The Group adopted the following relevant amendments to standards and frameworks starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- *COVID-19-Related Rent Concessions (Amendment to PFRS 16 Leases)*. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:
 - the revised consideration is substantially the same or less than the original consideration;
 - the reduction in lease payments relates to payments due on or before June 30, 2021; and
 - no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective April 1, 2021

- *COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16 Leases)*. The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in

reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16 Property, Plant and Equipment)*. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2 Inventories.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a Group's ordinary activities, the amendments require the Group to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the Group first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 Provisions, Contingent Liabilities and Contingent Assets)*. The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards:
 - *Subsidiary as a First-time Adopter (Amendment to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards)*. The amendment simplifies the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of parent, based on the parent's date of transition to PFRS.
 - *Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments)*. The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received included in the

discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16 Leases)*. The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive
- *Taxation in Fair Value Measurements (Amendment to PAS 41 Agriculture)*. The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13 Fair Value Measurement.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- *Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations)*. The amendments:
 - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
 - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
 - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
 - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, *Non-Current Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
 - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
 - Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
 - The effective date of the amendments will be deferred to no earlier than January 1, 2024. Comments on the Exposure Draft is due on March 21, 2022.
- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements)*. The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures. The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes)*. The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Consolidation

The consolidated financial statements incorporate the financial amounts of the Parent Company and its subsidiaries. Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intragroup transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Business Combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. Transaction costs are expensed as incurred.

Statement of Cash Flows

The Group has chosen to prepare the consolidated statement of cash flows using the indirect method, which presents cash flows from operating activities as the income from operations adjusted for non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid on loans is presented as a financing activity. The Group has chosen to present dividends paid to its stockholders as a financing activity cash flow. In the cash flow statement, the Group has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments are split between interest and principal portions in the cash flow statement. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Group has classified cash flows from operating leases as operating activities.

Segment Reporting

An operating segment is a component of an entity that engages in business activities

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

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

Financial Instruments

Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Group transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Regular-way purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Group). At initial recognition, the Group measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as fair value through profit or loss (FVTPL), includes transaction costs. A trade receivable without significant financing component is initially measured at the transaction price.

After initial recognition, the Group classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive income (FVOCI) or iii) FVTPL on the basis of both:

- The Group's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses. The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for receivables.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Group includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities.
- payment record - this includes overdue status as well as a range of variables about payment ratios.
- existing and forecast changes in the business, financial and economic conditions.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the debtor is past due more than 90 days on any material credit obligation to the Group.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

Financial assets at amortized cost are classified as current assets when the Group expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

Cash and cash equivalents, receivables and security deposits are included in this category.

Financial Assets at FVOCI

A debt financial asset is measured at FVOCI if both i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity

investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI.

The financial asset is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. For debt instruments, interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other gains and losses recognized in OCI. Accumulated gains or losses recognized through other comprehensive income are reclassified to profit or loss when the asset is derecognized. For equity investments, dividends are recognized in profit or loss while other gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Group's unquoted equity securities are included in this category. The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at March 31, 2022 and December 31, 2021.

Financial Assets at FVTPL

When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as at FVTPL and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at FVTPL is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in the consolidated statement of income for the reporting period in which it arises.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVOCI at initial recognition.

As of March 31, 2022 and December 31, 2021, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as "Unrealized valuation gain (loss) on financial assets at FVTPL" in the consolidated statement of comprehensive income. Interest earned on these investments is reported in the consolidated statement of comprehensive income under 'Interest income' while dividend income is reported in the consolidated statement of comprehensive income under "Others" when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on market observable inputs.

The Group's investments in government securities and equity securities are included under this category (see Note 7).

Financial Liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognized when the Group's obligations specified in the contract expire or are discharged or cancelled.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

- (a) financial liabilities designated by the Group at initial recognition as at fair value through profit or loss, when doing so results in more relevant information.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- (c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
- (d) financial guarantee contracts and commitments to provide a loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables, long-term loans, lease liabilities, due to related parties and deposits from tenants are generally included in this category.

Offsetting Financial Instruments

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

Fair Value Measurements

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

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

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

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

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

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

Cash and Cash Equivalents

Cash includes cash in banks, cash on hand and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

Merchandise Inventories

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

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

Property and Equipment

Property and equipment, excluding land and construction in progress, are carried at cost less accumulated depreciation 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 is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

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

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

The useful lives and depreciation 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 or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation 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.

The cost and accumulated depreciation and impairment losses, if any, of fully depreciated assets that are used in operations are retained in the accounts.

Investment in Associates and Joint Arrangements

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. Associates are accounted for using the equity method.

Investment in joint arrangements is classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where the Group has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Group accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the Group has rights to the net assets of the arrangement and, therefore, the Group equity accounts for its interest.

Under the equity method, investment in associates and joint ventures is measured initially at cost and subsequently adjusted for post-acquisition changes in the Group's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial amounts of the associates and joint ventures to ensure consistency with the accounting policies of the Group. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of Group's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Intangible Assets

Goodwill and Impairment of Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition. It is carried at cost less accumulated impairment losses. Goodwill on

acquisitions of joint ventures and associates is included in the carrying amount of the investment. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Group at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of associates and joint ventures is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less amortization and any impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives of 15 to 20 years for computer software and licenses and 20 years for leasehold rights and tested for impairment whenever there is an indication that they may be impaired. The amortization period and method are reviewed at each financial year-end.

Impairment of Non-current Assets Other than Goodwill

The Group assesses whether there is any indication that the property and equipment, right-of-use assets, investments, and intangible assets with finite lives may be impaired. The Group performs impairment testing where there are indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in the Group's profit or loss.

A reversal of an impairment loss is recognized immediately as a credit to the Group's profit or loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Cost

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, if any.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group has a non-contributory multi-employer plan which is accounted for as a defined benefit plan. The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Group's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

Capital Stock

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

Additional Paid-in Capital

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution

Retained earnings include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Dividend distribution to the Group's shareholders is recognized as a liability and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

Treasury Stock

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares of stock are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is charged to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares of stock were issued and to retained earnings for the remaining balance.

Other Comprehensive Income

Other comprehensive income are items of income and expense (including reclassification adjustments, if any) such as remeasurements of defined benefit plans that are not recognized in profit or loss as required or permitted by the related accounting standards.

Revenue Recognition

The Group identifies each distinct performance obligation to transfer goods (or bundle of goods) or services. The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring the control of goods or services to the customer. The transaction price is the amount of consideration the Group expects to receive under the arrangement. The Group concluded that it is acting as principal for all its revenue arrangements below, except for concession fee income.

- *Merchandise Sales* - The Group generally recognizes sale of merchandise at the point of sale when customer takes possession of goods and tenders payment. At point of sale, the performance obligation is satisfied because control of the merchandise transfers to the customer. Revenue is recorded at the point of sale based on the transaction price on the merchandise tag, net of any applicable discounts, sales taxes and refunds. For e-commerce sales, the Group recognizes sales upon delivery of goods through its online channel.
- *Concession Fee Income* - The Group enters into certain agreements with concessionaires that offer goods to the Group's customers. In exchange, the Group receives payment in the form of commissions based on a specified percentage of the merchandise sales. The Group serves as agent in these contracts and recognizes the net amount earned as commissions in the period in which the event or condition that triggers the payment occurs.
- *Membership* - The Group charges a membership fee to its customers. The fee allows the customer to shop in the Group's stores for the duration of the membership, which is generally 12 months. The Group recognizes the fee in the period in which it occurs.
- *Gift Certificates* - The Group recognizes revenue from the sale of gift certificates when the gift certificate is redeemed by customer.
- *Other Income* - The Group recognizes various incidental income in the period in which the services/goods were rendered/delivered.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The sales activities of the Group do not result in a material amount of unperformed obligations of the Group and, therefore, no contract assets are recognized separately

from receivables.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group does enter into transactions with customers where contract liabilities result from consideration being received from the customer prior to the Group satisfying its performance obligations. These contract liabilities are presented on the statement of financial position and in the notes as unredeemed gift certificate liabilities.

Cost and Expense Recognition

The Group's cost of sales includes the direct costs of sold merchandise, which includes custom, taxes, duties and inbound shipping costs, inventory shrinkage and adjustments and reserves for excess, aged and obsolete inventory. Cost of sales also includes certain distribution center costs.

Vendor Rebates and Allowances

The Group receives various types of cash consideration from vendors, principally in the form of rebates, based on purchasing or selling certain volumes of product, time-based rebates or allowances, which may include product placement allowances or exclusivity arrangements covering a predetermined period of time, price protection rebates and allowances for retail price reductions on certain merchandise and salvage allowances for product that is damaged, defective or becomes out-of-date.

Such vendor rebates and allowances are recognized based on a systematic and rational allocation of the cash consideration offered to the underlying transaction that results in progress by the Group's toward earning the rebates and allowances, provided the amounts to be earned are probable and reasonably estimable. Otherwise, rebates and allowances are recognized only when predetermined milestones are met. The Group recognizes product placement allowances also as a reduction of cost of sales in the period in which the product placement is completed. Time-based rebates or allowances are recognized as a reduction of cost of sales over the performance period on a straight-line basis. All other vendor rebates and allowances are recognized as a reduction of cost of sales when the merchandise is sold or otherwise disposed.

Operating Expenses

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

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive

substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

As a Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove or restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable Lease Payments

Variable lease payments not based on an index or rate are not part of the lease liability. These include payments linked to a lessee's performance derived from the underlying asset. Such payments are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

Lease Modifications as a Lessee

The Group accounts for a lease modification as a separate lease if both the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the standalone price and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group allocates the consideration in the modified contract based on stand-alone prices, determines the lease term and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group makes a corresponding adjustment to the right-of-use asset for all other lease modifications.

COVID-19-Related Rent Concessions

The Group elected to apply an optional practical expedient for rent concessions that are a direct consequence of COVID-19. The lessee is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply to the reduction in lease payments relates to payments due on or before June 30, 2021; and no other substantive changes have been made to the terms of the lease.

Short-term Leases and Leases of Low-value Assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor

When the Group act as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risk and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies exemption described above, then it classifies sub-lease as operating lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

Borrowing Costs

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

Income Taxes

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Uncertainties related to taxes that are not income taxes are recognized and measured in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* unless they are dealt with specifically in another standard.

Current Tax

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

Deferred Tax

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

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

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

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

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

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

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

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

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

Value Added Tax (VAT)

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

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

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

Basic and Diluted Earnings Per Share (EPS)

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

Related Parties

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

Provisions and Contingencies

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

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

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

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:

	<i>Note</i>	March 2022	December 2021
Cash on hand		P455,366,792	P567,049,234
Cash in banks	29	5,590,916,110	8,298,899,619
Money market placements	29	26,316,734,180	32,445,645,484
		P32,363,017,082	P41,311,594,337

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

Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with annual interest rates ranging from 0.2% to 1.5% in March 2022 and 0.3% to 3.1% in December 2021.

Interest income earned from cash in banks and money market placements totaled P73.5 million and P86.5 million in March 2022 and 2021, respectively.

5. Receivables

This account consists of:

	Note	March 2022	December 2021
Trade receivables	23	P1,160,269,683	P1,325,601,037
Less allowance for impairment losses		7,462,327	7,462,327
		1,152,807,356	1,318,138,710
Nontrade receivables	23	1,625,900,521	860,760,511
	29	P2,778,707,877	P2,178,899,221

Trade receivables generally have a one-to-30-day credit terms.

Non-trade receivables consist mainly of advances to a related party, e-wallet balance, accrued vendor allowance income, and rent due from store tenants.

6. Merchandise Inventories

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 or retail basis.

The Group's merchandise inventories at cost amounted to P23.7 billion and P21.6 billion as at March 31, 2022 and December 31, 2021, respectively.

Inventory charged to the cost of sales amounted to P30.8 billion and P30.5 billion in March 2022 and 2021, respectively (see Note 18).

7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	Note	March 2022	December 2021
Held-for-trading:	22, 29		
Equity securities		P35,094,393	P30,725,784
Government securities		3,000,000,000	-
		P3,035,094,393	P30,725,784

The Group recognized gain on sale of government securities amounting to P1.7 million in March 2021 (see Note 22).

Interest income on government securities amounted to P9.1 million and P7.1 million in March 2022 and 2021, respectively.

Dividend income on equity securities amounted to P0.7 million in March 2022 and 2021 (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	March 2022	December 2021
Prepaid expenses	P958,727,190	P403,698,352
Deferred input VAT	348,043,199	395,379,462
Input VAT	185,327,753	50,271,451
Creditable withholding tax	1,457,605	1,507,115
	P1,493,555,747	P850,856,380

Deferred input VAT consists of the unamortized portion of accumulated input taxes on purchases of capital assets more than P1.0 million and unpaid services which can be applied against future output VAT when realized or paid.

The details of prepaid expenses are as follows:

	March 2022	December 2021
Taxes and licenses	P682,196,459	P123,525,428
Insurance	136,617,472	133,452,127
Advertising and promotion	71,743,044	68,827,919
Supplies	17,951,830	57,886,375
Repairs and maintenance	6,998,021	7,160,720
Others	43,220,364	12,845,783
	P958,727,190	P403,698,352

Prepaid taxes and licenses pertain to the unamortized portion of registration fees and other taxes paid to the Government.

Prepaid insurance pertains to the unamortized portion of premiums paid for insurance coverage on merchandise inventories, property and equipment, etc.

Prepaid advertising and promotion pertain to payments made in advance for advertisements and product promotions.

9. Investment in Associate and Joint Venture

The details of this account are as follows:

	March 2022	December 2021
Associate	P461,152,697	P461,152,697
Joint venture	175,395,733	175,395,733
	P636,548,430	P636,548,430

Investment in Associate

In 2013, the Group through Entenso acquired 49.34% equity interest in San Roque Supermarkets, a local entity that operates a chain of supermarkets in Metro Manila and nearby areas.

The changes in the carrying amount of the investment in associate are as follows:

	March 2022	December 2021
Balance at beginning of the year	P461,152,697	P461,152,697
Share in net income	-	-
Other adjustments	-	-
Balance at end of year	P461,152,697	P461,152,697

The information presented below summarizes the financial information of San Roque and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment.

	December 2021
Percentage of ownership	49.34%
Current assets	P824,252,714
Noncurrent assets	773,700,796
Current liabilities	(643,647,604)
Noncurrent liabilities	(615,854,604)
Net assets	338,451,302
Group's share in net assets	166,991,872
Goodwill	276,058,136
Unrecognized share in net loss	5,307,278
Others*	12,795,411
Carrying amount of interest in associate	P461,152,697
Net sales	P4,655,176,247
Net income (loss)	(10,756,543)
Group's share in net income (loss)	(P5,307,278)**

*Unrecognized prior period adjustments based on unaudited amounts

**Unrecognized share in loss based on unaudited amounts

Investment in Joint Venture

AyaGold Retailers, Inc.

In 2013, the Group through Entenso partnered with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold). This is the joint venture vehicle for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as may be agreed by both parties. AyaGold was incorporated in the Philippines on July 8, 2013 and started its operation on July 31, 2015 with the opening of its first supermarket called "Merkado" which is located in U.P. Town Center. The second supermarket opened on December 14, 2017.

The Group and its partner each initially invested P60.0 million or acquired 50% interest in AyaGold by subscribing to 6,000,000 common shares at P1.0 par value and 54,000,000 redeemable preferred shares at P1.0 par value. In February 2018, each party invested additional P32.5 million for 32,500,000 common shares at

P1.0 par value.

The redeemable preferred shares shall have the following features: voting rights; participating in dividends declaration for common shares and may be entitled to such dividends as may be determined and approved by the Board of Directors; entitled to receive out of the assets of the joint venture available for distribution to the parties, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution; and redeemable at the option of the joint venture.

The changes in the carrying amount of the investment in AyaGold are as follows:

	March 2022	December 2021
Balance at beginning of year	P175,395,733	P175,395,733
Share in net income	-	-
Balance at end of year	P175,395,733	P175,395,733

The following table summarizes the financial information of AyaGold and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment:

	December 2021
Percentage of ownership	50%
Current assets	P253,419,885
Noncurrent assets	458,231,584
Total liabilities	(512,283,388)
Net assets	199,368,081
Group's share in net assets	99,684,041
Unrecognized share in net loss (gain)	9,871,558
Others*	65,840,134
Carrying amount of interest in joint venture	P175,395,733
Net sales	P537,759,229
Net income (loss)	(19,743,115)
Group's share in income (loss)**	(P9,871,558)

*Unrecognized prior period adjustments based on unaudited amounts

**Unrecognized share in income (loss) based on unaudited amounts

10. Property and Equipment

The movements in this account are as follows:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, January 1, 2021	P6,820,320,834	P3,228,194,008	P10,841,270,901	P13,673,716,119	P936,891,845	P1,246,821,130	P36,747,214,837
Additions	130,218,312	202,821,027	840,831,202	843,286,303	320,424,960	1,344,729,226	3,682,311,030
Reclassifications	71,329,253	39,067,907	563,288,067	1,290,288,896	-	(1,963,974,123)	-
Disposals	(8,051,221)	(9,069,339)	(53,847,865)	(18,182,021)	(683,516)	-	(89,833,962)
Balance, December 31, 2021	7,013,817,178	3,461,013,603	12,191,542,305	15,789,109,297	1,256,633,289	627,576,233	40,339,691,905
Additions	29,934,965	20,892,974	88,200,444	83,311,114	80,106,240	442,789,665	745,235,402
Reclassifications	67,658,758	(146,906)	40,731,447	99,575,645	-	(207,818,944)	-
Disposals	-	(46,880)	(9,062,948)	(3,527,686)	-	-	(12,637,514)
Balance, March 31, 2022	7,111,410,901	3,481,712,791	12,311,411,248	15,968,468,370	1,336,739,529	862,546,954	41,072,289,793
Accumulated Depreciation							
Balance, January 1, 2021	P1,728,864,652	P1,802,445,671	P7,857,992,548	P3,391,735,470	P-	P-	P14,781,038,341
Depreciation	232,193,504	269,354,497	1,147,810,844	903,627,701	-	-	2,552,986,546
Reclassifications	5,248,757	(765,302)	208,081	(4,691,536)	-	-	-
Disposals	(1,878,618)	(5,986,684)	(48,758,136)	(7,217,357)	-	-	(63,840,795)
Balance, December 31, 2021	1,964,428,295	2,065,048,182	8,957,253,337	4,283,454,278	-	-	17,270,184,092
Depreciation	59,859,098	50,403,996	255,712,158	196,819,491	-	-	562,794,743
Reclassifications	228,452	97,662	(97,662)	(228,452)	-	-	-
Disposals	-	(32,137)	(9,062,939)	(882,596)	-	-	(9,977,672)
Balance, March 31, 2022	2,024,515,845	2,115,517,703	9,203,804,894	4,479,162,721	-	-	17,823,001,163
Carrying Amount							
December 31, 2021	P5,049,388,883	P1,395,965,421	P3,234,288,968	P11,505,655,019	P1,256,633,289	P627,576,233	P23,069,507,813
March 31, 2022	P5,086,895,056	P1,366,195,088	P3,107,606,354	P11,489,305,649	P1,336,739,529	P862,546,954	P23,249,288,630

Interest expense on loans capitalized as part of property and equipment amounted to P2.9 million and P2.3 million in March 2022 and 2021, respectively (see Note 15).

11. Right-of-Use Assets

The movements in this account are as follows:

	March 2022	December 2021
Cost		
Balance at beginning of period	P39,180,627,913	P37,169,222,475
Additions	437,729,973	2,901,842,690
Modifications to leases	(123,433,054)	36,872,615
Terminated leases	-	(809,971,135)
Derecognition of right-of-use assets	(35,046,963)	(117,338,732)
Balance at end of period	39,459,877,869	39,180,627,913
Accumulated Depreciation		
Balance at beginning of period	12,964,084,205	11,032,039,521
Depreciation	537,028,551	2,066,919,205
Modifications to leases	-	(9,620,289)
Terminated leases	-	(7,915,503)
Derecognition of right-of-use assets	(35,046,964)	(117,338,729)
Balance at end of period	13,466,065,792	12,964,084,205
Carrying Amount	P25,993,812,077	P26,216,543,708

The right-of-use assets mainly pertain to leases of stores and also include leases of parcels of land, warehouses, distribution centers and parking spaces.

12. Goodwill and Other Intangibles

This account consists of:

	March 2022	December 2021
Goodwill	P14,902,423,321	P14,902,423,321
Trademark	3,709,660,547	3,709,660,547
Customer relationships	889,452,981	889,452,981
Computer software and licenses - net	164,100,701	156,704,708
Leasehold rights - net	44,203,023	45,164,961
	P19,709,840,573	P19,703,406,518

Goodwill acquired in business combinations represents the excess of the purchase price over the fair value of net identifiable assets of acquired subsidiaries which represent the separate CGUs expected to benefit from that business combination.

The details of goodwill are as follows:

	March 2022	December 2021
Kareila	P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	837,974,199	837,974,199
Gant	742,340,804	742,340,804
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	685,904,317	685,904,317
Company E	358,152,015	358,152,015
Black & White (B&W) Supermart	187,203,888	187,203,888
Puregold Junior Supermarket, Inc. (PJSI)	11,374,263	11,374,263
	P14,902,423,321	P14,902,423,321

Trademark and customer relationships acquired through business combination represent the fair values at the date of acquisition of Kareila, which is the CGU for these intangibles.

CGUs to which goodwill and other intangibles with indefinite lives have been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. Cash flow projections used in determining recoverable amounts include the lease payments in both the explicit forecast period and in terminal value. The recoverable amounts for the CGUs have been determined based on value in use.

VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 6.6% to 8.7% in 2021 and 6.1% to 7.6% in 2020. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 5.0% and 15.0% for the CGUs. The average operating margins applied in the projected periods ranged between 2.0% and 6.0% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 3.0% and 4.6% for the CGUs.

Key assumptions relating to CGUs to which a significant amount of goodwill or intangible assets with indefinite useful lives is allocated are as follows:

	Pre-tax Discount Rate		Growth Rate (Terminal Value)	
	2021	2020	2021	2020
Kareila	6.6%	5.9%	3.6%	2.6%
Budgetlane Supermarkets	6.6%	7.0%	3.6%	2.6%
Gant	6.6%	7.3%	3.6%	2.6%
DCI and FLSTCI	6.6%	7.1%	3.6%	2.6%

As at December 31, 2021, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if growth rate decreased by 1.8%.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	March 2022	December 2021
Cost		
Balance at beginning of period	P477,456,094	P445,836,801
Additions	18,183,012	32,665,649
Disposal/adjustments	-	(1,046,356)
Balance at end of period	495,639,106	477,456,094
Accumulated Amortization		
Balance at beginning of period	320,751,386	278,824,811
Amortization*	10,787,019	42,580,888
Disposal/adjustments	-	(654,313)
Balance at end of period	331,538,405	320,751,386
Carrying Amount	P164,100,701	P156,704,708

*Presented as part of "Depreciation and amortization" under "Operating expenses" in the consolidated statements of comprehensive income

Leasehold Rights

The movements in leasehold rights are as follows:

	March 2022	December 2021
Cost		
Balance at beginning of period	P75,355,005	P75,355,005
Accumulated Amortization		
Balance at beginning of period	30,190,044	28,008,960
Amortization*	961,938	2,181,084
Balance at end of period	31,151,982	30,190,044
Carrying Amount	P44,203,023	P45,164,961

*Presented as part of "Depreciation and amortization" under "Operating expenses" in the consolidated statements of comprehensive income.

On January 25, 2013, the Parent Company entered into a memorandum of agreement with various parties that paved the way for the acquisition of five stores previously owned and operated by the parties. Under the agreement, the parties agreed to sell to the Parent Company all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by parties for a period of 20 years. As a result of the transaction, the Parent Company recognized the excess of the purchase price over the fair value of tangible assets acquired as leasehold rights, which is amortized on a straight-line basis over the lease term.

13. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	March 2022	December 2021
Security deposits	29	P2,146,566,803	P2,131,956,985
Advances to contractors		398,500,458	375,610,840
Accrued rent income	19, 25	25,590,082	27,308,219
Others		7,879,160	7,879,160
		P2,578,536,503	P2,542,755,204

Security deposits consist of payments for leases that are refundable at the end of the lease term.

Advances to contractors pertain to payments made in advance for the construction of new stores.

14. Trade and Other Payables

This account consists of:

	<i>Note</i>	March 2022	December 2021
Trade	23, 29	P6,321,195,684	P10,123,667,767
Nontrade	23, 29	1,604,922,147	1,198,824,060
Dividends payable	26, 29	-	1,434,268,203
Withholding taxes payable		113,903,973	136,252,126
Accrued expenses:	29		
Manpower agency services		670,221,361	772,940,468
Fixed assets		137,977,267	200,869,378
Utilities		160,112,739	162,755,182
Rent		58,266,497	91,670,579
Supplies		81,259,443	79,447,463
Others		201,320,227	222,005,203
		P9,349,179,338	P14,422,700,429

The average credit term on purchases of certain goods from suppliers is 30 days.

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods.

15. Long-term Loans

This account consists of:

	Note	March 2022	December 2021
Unsecured Peso Denominated			
Fixed-rate Notes of Parent Company		P11,880,000,000	P11,880,000,000
Unamortized Debt Issue Cost		(105,708,379)	(109,542,239)
	29	11,774,291,621	11,770,457,761
Less current portion		(120,000,000)	(120,000,000)
Noncurrent portion		P11,654,291,621	P11,650,457,761

Fixed-rate Notes of Parent Company

On September 30, 2020, the Parent Company raised P12.0 billion from the issuance of fixed-rate corporate notes for its store network expansion. This consists of P7-billion notes that have a seven-year tenor and P5-billion notes that have a 10-year tenor with interest rate of 4.0% and 4.5%, respectively. The notes are payable annually at 1.0% of the original amount or P120.0 million and the remainder payable upon maturity.

The notes are subject to certain affirmative and negative covenants such as those relating to merger and consolidation, declaration of dividends and maintenance of financial ratios of at least 1.0x current ratio and not more than 2.5x debt-to-equity ratio, among others. The Company is compliant with the loan covenants as at March 31, 2022 and December 31, 2021.

The contractual maturities of the long-term loans are discussed in Note 29.

The movements in debt issue cost are as follows:

	March 2022	December 2021
Balance at beginning of the year	P109,542,239	P124,877,678
Additions	-	-
Amortization	(3,833,860)	(15,335,439)
Balance at end of the year	P105,708,379	P109,542,239

Fixed-rate Note of Kareila

On July 23, 2013, Kareila obtained a P500.0 million unsecured loan from a local bank. The loan is payable after 5 years and bears interest at 3.5% per annum. The interest is due every month.

In 2015, partial principal payment was made amounting to P100.0 million and on May 2, 2018, the maturing P400.0 million remaining balance was rolled over for 7 years at 6.4% interest rate per annum. In 2020, Kareila fully paid the outstanding balance.

Interest expense charged to profit or loss amounted to P127.4 million and P129.2 million in March 2022 and 2021, respectively.

Interest expense capitalized as part of property and equipment is discussed in Note 10.

16. Other Current Liabilities

This account consists of:

	<i>Note</i>	March 2022	December 2021
Deposits from tenants	19, 29	P228,120,970	P240,107,291
Unredeemed gift certificates		168,472,725	204,842,310
VAT payable		6,630,090	192,310,210
Promotion fund		10,105,528	10,024,461
Others	29	696,107	3,312,570
		P414,025,420	P650,596,842

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

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

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the rollforward of contract liabilities:

	March 2022	December 2021
Beginning balance	P204,842,310	P210,388,129
Add receipts	56,379,311	578,632,574
Less sales recognized	(92,748,896)	584,178,393
Ending balance	P168,472,725	P204,842,310

17. Revenue from Contract with Customers

The Group generates revenue primarily from trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. The revenue from contracts with customers is disaggregated by revenue streams.

	<i>Note</i>	March 2022	March 2021
Net sales from stores		P38,507,338,645	P37,728,812,179
Concession fee income	20	414,682,691	547,298,801
Membership fee income	20	139,968,506	140,480,345
Revenue from contract with customers		P39,061,989,842	P38,416,591,325

18. Cost of Sales

This account for the periods ended consists of:

	Note	March 2022	March 2021
Beginning inventory	6	P21,558,632,962	P20,918,320,287
Add purchases		32,984,068,722	32,608,243,031
Total goods available for sale		54,542,701,684	53,526,563,318
Less ending inventory	6	23,733,586,276	23,007,979,438
		P30,809,115,408	P30,518,583,880

19. Leases

Lessee

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 5 years to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1.0%-10.0% escalation or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

Lease liabilities included in the consolidated statements of financial position are as follows:

	March 2022	December 2021
Due within one year	P1,029,863,454	P1,091,723,186
Due beyond one year	33,938,146,485	33,827,242,904
	P34,968,009,939	P34,918,966,090

The movements in lease liabilities are as follows:

	Note	March 2022	December 2021
Balance at beginning of period		P34,918,966,090	P33,627,625,966
Additions		418,720,057	2,751,144,650
Accretion of interest expense		569,765,466	2,269,146,910
Repayments		(816,008,620)	(3,104,015,523)
Terminations		-	(593,507,335)
Modifications		(123,433,054)	(31,428,578)
Balance at end of period	29	P34,968,009,939	P34,918,966,090

The maturity analysis of the undiscounted lease payments are as follows:

	March 2022	December 2021
Less than one year	P3,058,576,969	P3,208,819,204
One to five years	13,868,477,858	13,796,000,532
More than five years	43,314,819,246	43,357,516,379
	P60,241,874,073	P60,362,336,115

The following are the amounts recognized in profit or loss:

	March 2022	March 2021
Variable lease payments not included in the measurement of lease liabilities*	P112,731,503	P118,321,702
Expenses related to leases of low-value assets	7,798,929	7,592,679
Expenses related to short-term leases	3,319,547	594,481
Total rent expense	123,849,979	126,508,862
Interest accretion on lease liabilities	569,765,466	601,323,819
Depreciation charge for right-of-use assets	537,028,551	504,026,381

Low-value assets pertain mainly to credit card terminals and G4s cash solutions technology.

As Lessor

The Group subleases a portion of its stores to various lessees. The lease terms range from 1 year to 10 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

Rent income recognized in profit or loss amounted to P100.0 million and P76.7 million in March 2022 and 2021, respectively (see Note 20).

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

	March 2022	December 2021
Less than one year	P234,392,534	P233,940,919
One to two years	153,241,073	150,572,921
Two to three years	93,211,177	91,346,459
Three to four years	68,035,395	62,197,152
Four to five years	44,715,683	44,192,547
More than five years	957,061,964	958,246,823
	P1,550,657,826	P1,540,496,821

20. Other Revenue

This account consists of:

	Note	March 2022	March 2021
Concession fee income	17	P414,682,691	P547,298,801
Membership fee income	17	139,968,506	140,480,345
Rent income	19	99,980,663	76,664,756
Miscellaneous		52,044,089	45,670,360
		P706,675,949	P810,114,262

Miscellaneous consist of delivery fee income, income from sale of used packaging materials, e-wallet rebates and other individually insignificant items.

21. Operating Expenses

This account consists of:

	<i>Note</i>	March 2022	March 2021
Depreciation and amortization	10,11, 12	P1,105,113,556	P1,119,220,465
Manpower agency services		832,839,708	863,837,307
Salaries and wages		648,263,685	577,537,217
Communication, light and water		628,295,634	524,232,110
Taxes and licenses		248,917,087	247,677,864
Security services		243,297,554	254,457,535
Store and office supplies		167,627,232	129,309,743
Repairs and maintenance		164,557,056	150,469,033
Transportation		128,193,985	73,496,557
Rent	19	123,849,979	126,508,862
Advertising and marketing		118,862,921	87,601,895
Credit card charges		113,198,174	104,860,568
Insurance		63,155,489	58,184,625
SSS/Medicare and HDMF contributions		56,728,551	52,318,429
Representation and entertainment		48,741,697	24,131,423
Janitorial and messengerial services		46,536,860	47,961,479
Input VAT on exempt sales		44,790,999	49,646,501
Other selling expenses		44,721,087	43,329,738
Fuel and oil		33,317,356	18,254,559
Royalty	23	13,286,577	13,585,562
Professional fees		9,589,421	4,957,955
Miscellaneous		69,785,495	142,468,670
		P4,953,670,103	P4,714,048,097

22. Others

This account consists of:

	<i>Note</i>	March 2022	March 2021
Unrealized valuation gain (loss) on financial assets at FVTPL	7	P3,485,798	(P2,117,063)
Gain from insurance claims		2,344,315	-
Dividend income	7	738,828	715,497
Foreign exchange gains (losses)		(313,902)	383,837
Bank charges		(99,519)	(188,642)
Loss from lease terminations	19	-	(2,323,843)
Gain from disposal of property and equipment		-	25,999
Gain from sale of financial assets	7	-	1,698,305
		P6,155,520	(P1,805,910)

23. Related Party Transactions

Other than the items disclosed in Note 9, the Group's significant transactions and balances with related parties as at March 31, 2022 and December 31, 2021 are as follows:

Related Party	Year	Note	Amount of Transactions for the three-month periods	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 14)	Nontrade Payable, Loans and Lease Liabilities (see Notes 14, 15 and 19)	Due to Related Parties	Terms	Conditions
Parent										
Dividends	2022		P -	P -	P -	P -	P -	P -	Due and demandable	Unsecured
	2021		-	-	-	-	705,433,594	-		
Interest expense	2022	d	-	-	-	-	-	-		
	2021		-	-	-	-	-	-		
Entities under Common Control										
Leases	2022	a	309,337,900	-	36,607	-	5,919,085,113	-	Due and demandable	Unsecured;
	2021		302,389,282	-	997,211	-	5,727,874,802	-	demandable	no impairment
Concession expense	2022	b	52,659,923	-	-	-	-	-	Due and demandable	Unsecured
	2021		55,566,234	-	-	-	-	-	demandable	
Purchase of merchandise	2022		691,243,387	-	-	381,193,104	-	-	Due and demandable	Unsecured
	2021		583,479,852	-	-	843,725,582	-	-	demandable	
Sale of merchandise	2022		11,361,252	74,760,533	-	-	-	-	Due and demandable	Unsecured;
	2021		16,726,680	93,323,089	-	-	-	-	demandable	no impairment
Security deposits	2022	a	3,826,582	-	24,160	-	-	-	Due and demandable	Unsecured;
	2021		3,076,087	-	29,786	-	201,275	-	demandable	no impairment
Advances	2022		-	-	116,000,000	-	-	-	Due and demandable	Unsecured;
	2021		-	-	116,000,000	-	-	-	demandable	no impairment
Management fee	2022		2,593,733	-	-	-	1,787,182	-	Due and demandable	Unsecured
	2021		1,615,881	-	-	-	1,815,380	-	demandable	
Fixed asset	2022		-	-	123,043,049	-	-	-	Due and demandable	Unsecured
	2021		51,268	-	123,043,049	-	-	-	demandable	
Loans	2022	d	-	-	-	-	-	-	Due and demandable	
	2021		-	-	-	-	4,522,871	-	demandable	
Expense reimbursement	2022		52,756,079	-	15,636,873	-	4,327,017	-	Due and demandable	Unsecured
	2021		60,407,678	-	8,634,799	-	12,107,587	-	demandable	
Stockholder										
Royalty expense	2022	c	13,286,577	-	-	-	-	13,286,577	30 years and subject to renewal	Unsecured
	2021		8,681,870	-	-	-	-	45,868,433		
Leases	2022	a	6,577,252	-	-	-	-	-		
	2021		6,324,281	-	-	-	2,192,417	-		
Key Management Personnel										
Short-term benefits	2022		43,857,212	-	-	-	-	-		
	2021		40,090,364	-	-	-	-	-		
Total	2022			P74,760,533	P254,740,689	P381,193,104	P5,925,199,312	P13,286,577		
Total	2021			P93,323,089	P248,704,845	P843,725,582	P6,454,182,514	P45,868,433		

a. Leases - Group as a Lessee

The Group leases certain stores from related parties. Lease terms range from 10 to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1.0%-7.0% escalation.

b. Consignment and Concession

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

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

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the 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.
- In exchange, the consignor gives the consignee a trade or volume discount in the amount equivalent to 5.0% of the consignee's gross sales which was increased to 15.0% on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of 10.0% of the Consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid 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 4.0% monthly consignment/concession fee based on the Consignor's monthly gross sales.
- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.
- Ownership of the goods delivered to the Consignor at the stores shall

remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

On April 22, 2019, the Consignee assigned to the consignor its lease of land located at Westgate, Filinvest Alabang, Muntinlupa City with a lease term from January 1, 2019 until November 15, 2022. The term has been extended until November 15, 2037.

c. License Agreement

On August 15, 2011, the Parent Company entered into a license agreement for the use of trademark and logo. In exchange, the Parent Company pays the owner royalty based on a percentage of sales.

d. Loans

Cosco

In 2018 and 2017, Kareila obtained unsecured short-term loans from COSCO amounting to P300.0 million at 2.5% interest per annum and P600.0 million at 5.0% interest per annum, respectively. The 2017 loan was rolled over in 2018 for six months. These loans matured and were fully paid in 2019.

In 2019, Kareila obtained an unsecured short-term loan from Cosco amounting to P1.4 billion at 5.5% interest per annum, which was fully paid in 2020.

Puregold Finance

In 2019 and 2018, the Parent Company obtained unsecured short-term loans from Puregold Finance amounting to P9.0 million and P8.8 million, respectively, which were fully paid in 2019.

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

24. Retirement Benefits Liability

The Parent Company and its subsidiaries has a funded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2021. Valuations are obtained on a periodic basis.

Salient Provisions of the Retirement Plan

Normal Retirement (Minimum Retirement Law, RA 7641)

The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty-five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty-five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to at least one-half month (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The term one-half (1/2) month salary shall mean: (a) 50% of the pay salary; (b) one-twelfth (1/12) of the thirteenth (13th) month pay; and (c) one-twelfth (1/12) cash equivalent of not more than five (5) days of service incentive leaves.

The reconciliation of the liability recognized in the consolidated statements of financial position is as follows:

	March 2022	December 2021
Present value of defined benefit obligation	P1,322,466,747	P1,325,171,983
Fair value of plan assets	(29,873,021)	(29,873,021)
Retirement benefits liability	P1,292,593,726	P1,295,298,962

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

	March 2022	December 2021
Balance at beginning of period	P1,325,171,983	P1,413,074,310
Included in Profit or Loss		
Current service cost	-	233,246,502
Interest cost	-	54,511,399
	-	287,757,901
Benefits paid/Transfer to affiliated Company	(2,705,236)	(5,977,948)
Included in Other Comprehensive Income		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	-	(331,499,339)
Demographic assumptions	-	(45,071,487)
Experience adjustments	-	6,888,546
	-	(369,682,280)
Balance at end of period	P1,322,466,747	P1,325,171,983

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

	March 2022	December 2021
Beginning of the period	P29,873,021	P30,017,612
Interest income	-	1,185,696
Remeasurement gain (loss)	-	(1,330,287)
End of the period	P29,873,021	P29,873,021

The movements in cumulative actuarial gains or loss, before income tax effect, recognized in other comprehensive income are as follows:

	March 2022	December 2021
Beginning of year	(P201,482,970)	P169,529,597
Actuarial losses for the year	-	(371,012,567)
Ending balance	(P201,482,970)	(P201,482,970)

The cumulative actuarial gain or loss, net of income tax effect, amounted to P151.2 million as at March 31, 2022 and December 31, 2021, which are presented as "Retirement benefits reserve" in the equity section of the consolidated statements of financial position.

The Group's plan assets consist of the following:

	March 2022	December 2021
Cash in banks	P292,755	P292,755
Debt instruments - government securities	15,826,727	15,826,727
Trust fees payable	(47,797)	(47,797)
Other receivables	13,801,336	13,801,336
	P29,873,021	P29,873,021

On February 17, 2014, the Parent Company entered into a multi-employer retirement plan agreement with a trust group. The Parent Company made an initial cash contribution of P25.0 million pesos.

The Group does not expect to contribute to the plan in 2022.

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

	December 2021
Discount rate	5.08%
Future salary increases	8.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of the defined benefit obligation as at December 31, 2021 is 20.2 years.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2021

	Increase	Decrease
Discount rate (1% movement)	(P198,310,547)	P156,203,548
Future salary increase rate (1% movement)	190,313,842	(153,711,388)

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk. The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

The 10-year maturity analysis of the benefit payments:

	2021				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,325,171,983	P316,849,599	P63,848,622	P63,498,751	P189,502,226

25. Income Taxes

The components of income tax expense are as follows:

	March 2022	December 2021
Current tax expense	P735,048,878	P707,035,028
Deferred tax benefit	(43,466,284)	(59,926,957)
	P691,582,594	P647,108,071

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

	March 2022	March 2021
Income before income tax	P2,842,808,736	P2,667,539,005
Income tax expense at the statutory income tax rates:		
Regular - 25%	P707,491,492	P663,436,208
Special - 5%	642,139	689,709
Income tax effects of:		
Dividend income exempt from tax	(184,707)	(178,874)
Interest income subject to final tax	(20,471,498)	(23,255,086)
Nondeductible interest expense	4,020,211	5,439,342
Nondeductible other expenses	817,587	1,283,603
Nontaxable income	(913,876)	(109,564)
Other income subject to final tax	-	(424,576)
Changes in unrecognized DTA/DTL	181,246	227,309
	P691,582,594	P647,108,071

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

	March 2022		December 2021	
	Amount	DTA (DTL)	Amount	DTA (DTL)
PFRS 16*	P8,836,767,748	P2,209,191,937	P8,663,720,544	P2,165,930,136
Retirement benefits liability	1,492,434,018	373,108,505	1,493,334,225	373,333,557
Allowance for impairment losses on receivables	7,462,327	1,865,582	7,462,327	1,865,582
Recognition of DTA due to Merger	389,731	97,433	389,731	97,433
Actuarial loss	-	-	-	-
DTA	10,337,053,824	2,584,263,457	10,164,906,827	2,541,226,708
Fair value of intangible assets from business combination	(4,599,113,528)	(1,149,778,382)	(4,599,113,528)	(1,149,778,382)
Actuarial gain	(201,137,638)	(50,284,410)	(201,137,638)	(50,284,410)
Accrued rent income	(25,590,082)	(6,397,521)	(27,308,219)	(6,827,055)
DTL	(4,825,841,248)	(1,206,460,313)	(4,827,559,385)	(1,206,889,847)
Net	P5,511,212,576	P1,377,803,144	P5,337,347,442	P1,334,336,861

*Excluding net lease liabilities of PPCI Subic which is subject to SBMA tax rules

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

26. Equity

Capital Stock and Additional Paid-in Capital

The Parent Company's authorized, issued and outstanding common shares are as follows:

	March 2022	December 2021
Common shares- P1 par value		
Authorized	3,000,000,000	3,000,000,000
Issued	2,904,214,086	2,904,214,086
Treasury shares	(36,727,680)	(35,677,680)
	2,867,486,406	2,868,536,406

The initial public offering of the Parent Company's shares with an offer price of P12.5 per share resulted in the issuance of 500,000,000 common shares in 2011. The additional paid-in capital net of direct transaction costs amounted to P5.2 billion.

On May 28, 2012, the Parent Company issued 766,406,250 of its common shares in exchange for 100% equity interest in Kareila. The fair value of the shares at acquisition date was P21.5 per share. The additional paid-in capital net of direct transaction costs amounted to P15.7 billion.

On January 16, 2019, the Parent Company conducted a P4.7 billion top up placement of 104,300,000 million common shares at a price of P45.0 per share. The Parent Company completed the placement upon approval of the BOD. The additional shares were issued on March 5, 2019.

On February 20, 2019, the BOD approved the increase in the authorized capital stock of the Parent Company from 3,000,000,000 shares to 5,000,000,000 shares with par value of P1.0 per share. The shareholders approved the amendment to the articles of incorporation on May 14, 2019.

Treasury Stock

The Group's treasury shares are as follows:

	March 2022	December 2021
Balance at beginning of period	35,677,680	34,532,680
Additions	1,050,000	1,145,000
Balance at end of period	36,727,680	35,677,680

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 issued shares of stocks equivalent to 16,911,162 shares at P26.6 per share. As a result, 16,911,006 shares of the total shares issued held by the Parent Company were recognized as treasury stock.

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to 1,000,000,000 or approximately 30,000,000 shares within one year from the approval or until November 4, 2015. The Parent Company bought 1,025,000 shares with acquisition cost of P37.8 million as treasury stock.

On March 12, 2015, the SEC approved the application of merger of the Parent Company and Company E. As a consideration for the said merger, the Parent Company issued shares of stocks equivalent to 2,045,465 shares at par value. Considering that the ultimate owner of Company E is the Parent Company, the

shares issued were recognized as treasury stock.

On November 22, 2017, SEC approved the application of the merger of Parent Company, Goldtempo Group Incorporated, Daily Commodities, Inc., and First Lane Super Traders Co., Inc. As a consideration for the merger, the Parent Company issued shares of stocks equivalent to 14,551,209 shares at P39.0 per share. Considering that the ultimate owner is the Parent Company, the shares issued were recognized as treasury stock.

Retained Earnings

On December 15, 2017, the Group's BOD approved the declaration of a regular dividend of P0.2 per share and special dividend of P0.2 per share on record date of January 2, 2018 and payment date of January 26, 2018. The total amount of dividends is P1.1 billion.

On February 1, 2019, the Group's BOD approved the declaration of a regular dividend of P0.2 per share and special dividend of P0.2 per share on record date of February 15, 2019 and payment date of March 1, 2019. The total amount of dividends is P1.1 billion.

On December 10, 2019, the Group's BOD approved the declaration of a regular dividend of P0.2 per share and special dividend of P0.2 per share on record date of December 27, 2019 and payment date of January 24, 2020. The total amount of dividends is P1.2 billion.

On December 18, 2020, the Group's BOD approved the declaration of a regular dividend of P0.3 per share and special dividend of P0.2 per share on record date of January 8, 2021 and payment date of January 29, 2021. The total amount of dividends is P1.3 billion.

On December 21, 2021, the Group's BOD approved the declaration of a regular dividend of P0.3 per share and special dividend of P0.3 per share on record date of January 10, 2022 and payment date of February 1, 2022. The total amount of dividends is P1.4 billion.

27. Segment Information

The Group operates through stores in several locations. The combined financial statements of all stores are reviewed by the Chief Operating Decision Maker on a monthly basis and assesses the Group's profitability and financial position of the whole retail business. The Group is engaged in the retail and wholesale trading of merchandise such as dry goods, food and other merchandise.

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

28. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	March 2022	March 2021
Net income (a)	1,226,142	1,430,934
Weighted average number of ordinary shares (b)	1,519,739	1,681,406
Basic/diluted EPS (a/b)	P0.75	P0.70

As at March 31, 2022 and December 31, 2021, the Group has no dilutive debt or equity instruments.

29. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

Credit Risk

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

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

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

The credit risk for 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 2022	December 2021
Cash in banks and cash equivalents	4	P31,907,650,290	P40,744,545,103
Receivables – net	5	2,778,707,877	2,178,899,221
Financial assets at fair value through profit or loss	7	3,035,094,393	30,725,784
Security deposits*	13	2,146,566,803	2,131,956,985
		P39,868,019,363	P45,086,127,093

*Included under noncurrent assets.

The credit quality of the Group's financial assets based on its historical experience is as follows:

	As of March 31, 2022			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P31,907,650,290	P -	P -	P31,907,650,290
Receivables – net	-	2,778,707,877	-	2,778,707,877
Financial assets at fair value through profit or loss	3,035,094,393	-	-	3,035,094,393
Security deposits*	2,146,566,803	-	-	2,146,566,803
	P37,089,311,486	P2,778,707,877	P -	P39,868,019,363

*Included under noncurrent assets.

	As of December 31, 2021			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P40,744,545,103	P -	P -	P40,744,545,103
Receivables – net	-	2,178,899,221	-	2,178,899,221
Financial assets at fair value through profit or loss	30,725,784	-	-	30,725,784
Security deposits*	2,131,956,985	-	-	2,131,956,985
	P42,907,227,872	P2,178,899,221	P -	P45,086,127,093

*Included under noncurrent assets.

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

- Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.
- Trade receivables were classified as standard grade, since these pertain to receivables considered as unsecured from third parties with good paying habits. Non-trade receivables from suppliers relating to rental, display allowance and

concession and advances to contractors were assessed as standard grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as standard grade as these are paid through salary deductions and have a high probability of collections.

- c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.
- d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

The Group applies the simplified approach using provision matrix in providing for ECL which permits the use of the lifetime expected loss provision for trade and other receivables. The expected loss rates are based on the Group's historical observed default rates. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of this macroeconomic factor identified has not been considered significant within the reporting period.

The aging of receivables at the reporting date is as follows:

	March 2022		December 2021	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P1,670,880,731	P -	P1,091,371,294	P -
Past due 1 - 30 days	340,522,512	-	549,937,776	-
Past due 31 - 60 days	103,912,928	-	201,250,818	-
More than 60 days	670,854,033	7,462,327	343,801,660	7,462,327
	P2,786,170,204	P7,462,327	P2,186,361,548	P7,462,327

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, 2022				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P9,235,275,365	P9,235,275,365	P9,235,275,365	P -	P -
Due to related parties	13,286,577	13,286,577	13,286,577	-	-
Lease liabilities	34,968,009,939	60,241,874,073	3,058,576,969	13,868,477,858	43,314,819,246
Long-term loans including current portion**	11,774,291,621	15,293,710,988	500,593,500	2,002,374,000	12,790,743,488
Other current liabilities***	228,817,077	228,817,077	228,817,077	-	-

*excluding statutory payables to the government

**contractual cash flows include future interest payment

***excluding promotion fund, unredeemed gift certificates and VAT payable

As at December 31, 2021					
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P14,286,448,303	P14,286,448,303	P14,286,448,303	P -	P -
Due to related parties	45,868,433	45,868,433	45,868,433	-	-
Lease liabilities	34,918,966,090	60,362,336,115	3,208,819,204	13,796,000,532	43,357,516,379
Long-term loans including current portion**	11,770,457,761	15,418,859,363	500,593,500	2,002,374,000	12,915,891,863
Other current liabilities***	243,419,861	243,419,861	243,419,861	-	-

*excluding statutory payables to the government

**contractual cash flows include future interest payment

*** excluding promotion fund, unredeemed gift certificates and VAT payable

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks and money market placements. The cash deposits and money market placement with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk on long-term loans with fixed rates which are carried at amortized cost. The Group's policy is to obtain the most favorable interest available and effectively managing the interest rate risk.

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

	March 2022	December 2021
Financial assets:		
Cash in banks	P5,590,916,110	P8,298,899,619
Money market placements	26,316,734,180	32,445,645,484
Government securities	3,000,000,000	-
	P34,907,650,290	P40,744,545,103

Sensitivity Analysis

A 2.0% increase in interest rates would have increased equity and net income by P52.4 million and P61.0 million in March 2022 and December 2021, respectively. A 2.0% decrease in interest rates would have had the equal but opposite effect. Assuming a 10.0% interest rate and on the basis that all other variables remain constant.

Other Market Price Risk

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

Capital Management

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

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

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

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

The Group is not subject to externally imposed requirements.

Fair Values of Financial Assets and Liabilities

The methods and assumptions used by the Group in estimating the fair value of financial asset and other financial liabilities are:

Cash and Cash Equivalents, Receivables, Trade and Other Payables, Due to Related Parties and Other Current Liabilities

The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Financial Assets at FVTPL

The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

Security Deposits

The carrying amount approximates its fair value as the effect of discounting is not considered material.

Long-term Loans and Lease Liabilities

The carrying amounts approximate their fair values because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments is not considered significant.

Fair Value Hierarchy

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

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

As at March 31, 2022 and December 31, 2021, the Group's investment in financial assets at FVTPL for equity securities and government securities are classified as Level 1 and 2, respectively.