

November 10, 2023

**Securities and Exchange Commission**

7907 Makati Avenue, Salcedo Village,  
Bel-Air, Makati City, 1209

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**  
Director, Markets and Securities Regulation Department

**The Philippine Stock Exchange, Inc.**

9<sup>th</sup> Floor, PSE Tower  
28<sup>th</sup> Street corner 5<sup>th</sup> Avenue,  
Bonifacio Global City, Taguig City

Attention: **Ms. Alexandra D. Tom Wong**  
OIC - Disclosure Department

Subject: **SEC 17-Q as of September 30, 2023**

---

GENTLEMEN:

On behalf of Puregold Price Club, Inc., I am submitting herewith the Company's Third Quarter Report for the year 2023.

Thank you.

Very truly yours,

  
**ATTY. CANDY H. DACANAY-DATUON**  
Assistant Corporate Secretary

# COVER SHEET

A 1 9 9 8 1 3 7 5 4

SEC Registration Number

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

(Company's Full Name)

N O . 9 0 0 R O M U A L D E Z S T . , P A C O ,

M A N I L A

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

CANDY H. DACANAY-DATUON

(Contact Person)

(63) 917 861 2459

(Company Telephone Number)

1 2

Month

3 1

Day

SEC FORM 17-Q

(Form Type)

0 5

Month

0 9

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

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: **September 30, 2023**
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:  Use Only)
7. Address of issuer's principal office: No. **900 Romualdez Street, Paco, Manila** Postal Code: **1007**
8. Issuer's telephone number, including area code: **(63) 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
<b>Common Shares</b>	<b>2,880,137,615</b> <b>Php11,640,000,000.00</b>

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**

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 September 30 and December 31 and for the nine-month periods ended September 30:

	<b>September 2023</b>	December 2022
Current Ratio <sup>(1)</sup>	<b>4.03:1</b>	2.64:1
Asset to Equity Ratio <sup>(2)</sup>	<b>1.79:1</b>	1.98:1
Debt to Equity Ratio <sup>(3)</sup>	<b>0.79:1</b>	0.98:1
Debt to Total Assets Ratio <sup>(4)</sup>	<b>0.44:1</b>	0.50:1
Book Value per Share <sup>(5)</sup>	<b>P31.15</b>	P28.84
Price Earnings Ratio <sup>(6)</sup>	<b>*9.39x</b>	10.77x

*\* Based on annualized EPS*

	<b>September 2023</b>	September 2022
Earnings per Share <sup>(7)</sup>	<b>P2.31</b>	P2.26
Return on Assets <sup>(8)</sup>	<b>4.1%</b>	4.6%
Return on Equity <sup>(9)</sup>	<b>7.7%</b>	8.2%

- (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 September 30, 2023, the Group earned a consolidated net income of P6,612 million at 4.7% net margin and an increase of 2.1% from P6,474 million at 5.1% net margin in the same period of 2022. 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 Nine-month Periods Ended September 30					For the Three-month Periods July 1 to September 30			
	2023		2022		% Change	2023		2022	
		% to Sales		% to Sales			% to Sales		% to Sales
<b>Net Sales</b>	<b>P139,299</b>	<b>100.0%</b>	P127,563	100.0%	<b>9.2%</b>	<b>P48,068</b>	<b>100.0%</b>	P45,328	100.0%
Cost of Sales	<b>113,764</b>	<b>81.7%</b>	103,598	81.2%	<b>9.8%</b>	<b>39,385</b>	<b>81.9%</b>	37,037	81.7%
<b>Gross Profit</b>	<b>25,535</b>	<b>18.3%</b>	23,966	18.8%	<b>6.5%</b>	<b>8,683</b>	<b>18.1%</b>	8,290	18.3%
Other Operating Income	<b>2,309</b>	<b>1.7%</b>	2,243	1.8%	<b>2.9%</b>	<b>793</b>	<b>1.7%</b>	778	1.7%
<b>Gross Income</b>	<b>27,844</b>	<b>20.0%</b>	26,209	20.5%	<b>6.2%</b>	<b>9,477</b>	<b>19.7%</b>	9,068	20.0%
Operating Expenses	<b>17,808</b>	<b>12.8%</b>	15,923	12.5%	<b>11.8%</b>	<b>6,114</b>	<b>12.7%</b>	5,556	12.3%
<b>Operating Income</b>	<b>10,036</b>	<b>7.2%</b>	10,286	8.1%	<b>-2.4%</b>	<b>3,363</b>	<b>7.0%</b>	3,512	7.7%
Other income (expenses) – net	<b>(1,472)</b>	<b>-1.1%</b>	(1,758)	-1.4%	<b>-16.2%</b>	<b>(495)</b>	<b>-1.0%</b>	(532)	-1.2%
<b>Net Income before tax</b>	<b>8,564</b>	<b>6.1%</b>	8,528	6.7%	<b>0.4%</b>	<b>2,868</b>	<b>6.0%</b>	2,980	6.6%
Income tax expense	<b>1,952</b>	<b>1.4%</b>	2,054	1.6%	<b>-5.0%</b>	<b>656</b>	<b>1.4%</b>	706	1.6%
<b>Net Income after tax</b>	<b>P6,612</b>	<b>4.7%</b>	P6,474	5.1%	<b>2.1%</b>	<b>P2,212</b>	<b>4.6%</b>	P2,274	5.0%

### *Net Sales*

For the period ended September 30, 2023, the Group posted a consolidated net sales of P139,299 million for an increase of P11,735 million or 9.2% compared to P127,563 million in the same period of 2022. Net sales grew due to strong like for like sales performance, sales contribution from full operation of 2022 new stores and revenue from 2023 newly opened stores of both Puregold and S&R.

Like for like sales performance indicators for the period ended September 30 are as follow:

	PGOLD		S&R	
	2023	2022	2023	2022
Net Sales	<b>4.8%</b>	2.4%	<b>4.1%</b>	9.5%
Net Ticket	<b>-0.4%</b>	-6.1%	<b>-2.5%</b>	8.8%
Traffic	<b>5.2%</b>	9.1%	<b>6.7%</b>	0.6%

***Gross Profit***

For the period ended September 30, 2023, the Group realized an increase of 6.5% in consolidated gross profit to P25,535 million at 18.3% margin from P23,966 million at 18.8% 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 increased by P66 million or 2.9% from P2,243 million in the nine months of 2022 to P2,309 million in the same period of 2023. This is attributable to increase in membership and other miscellaneous income during the period.

***Gross Operating Income***

Gross operating income for the nine months of 2023 amounted to P27,844 million at a gross operating margin of 20.0% and an increase of P1,635 million or 6.2% from P26,209 million at 20.5% margin in the same period of 2022.

***Operating Expenses***

Operating expenses increased by P1,885 million or 11.8% from P15,923 million in the nine-month period ended September 30, 2022 to P17,808 million in the same period of 2023. Increase in the account was primarily due to operating cost of old stores in line with increase in sales, full operation of 2022 new stores and expenses from the 2023 newly opened stores, specifically manpower, depreciation, repairs and maintenance, supplies and advertising expenses.

***Other Expense - net***

Other expenses net of other income amounted to P1,472 million and P1,758 million for the nine-month periods ended September 30, 2023 and 2022, respectively. Decrease in the account was primarily due to increase on interest income from short term investments during the period.

***Net Income***

For the period ended September 30, 2023, the Group earned a consolidated net income of P6,612 million at 4.7% net margin and an increase of 2.1% from P6,474 million at 5.1% net margin in the same period of 2022. 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>	September 2023		December 2022		
		% to Total Assets		% to Total Assets	% Change
Cash & Cash Equivalents	<b>P30,301</b>	19.0%	P39,345	24.0%	-23.0%
Receivables – net	<b>2,795</b>	1.8%	3,529	2.2%	-20.8%
Merchandise inventory	<b>29,942</b>	18.8%	28,215	17.2%	6.1%
Investments in trading securities	<b>4,624</b>	2.9%	4,299	2.6%	7.5%
Prepaid expenses and other current assets	<b>1,098</b>	0.7%	3,610	2.2%	-69.6%
<b>Total Current Assets</b>	<b>68,759</b>	43.2%	78,998	48.2%	-13.0%
Investments in associate and joint ventures	<b>662</b>	0.4%	662	0.4%	0.0%
Property and equipment- net	<b>33,867</b>	21.3%	30,235	18.5%	12.0%
Intangibles and goodwill	<b>19,946</b>	12.5%	19,690	12.0%	1.3%
Right-of-use assets – net	<b>31,432</b>	19.7%	29,950	18.3%	5.0%
Deferred tax assets – net	<b>1,614</b>	1.0%	1,515	0.9%	6.6%
Other noncurrent assets	<b>3,060</b>	1.9%	2,748	1.7%	11.4%
<b>Total Noncurrent Assets</b>	<b>90,581</b>	56.8%	84,799	51.8%	6.8%
	<b>P159,341</b>	100.0%	P163,798	100.0%	-2.7%
Accounts payable and accrued expenses	<b>P14,086</b>	8.8%	P26,793	16.4%	-47.4%
Short-term loans payable	-	0.0%	-	0.0%	0.0%
Income tax payable	<b>605</b>	0.4%	866	0.5%	-30.2%
Due to related parties	<b>47</b>	0.0%	49	0.0%	-4.2%
Current maturities of long - term loans, net of debt issue costs	<b>120</b>	0.1%	120	0.1%	0.0%
Lease liabilities due within one year	<b>1,460</b>	0.9%	1,323	0.8%	10.4%
Other current liabilities	<b>727</b>	0.5%	726	0.4%	0.1%
<b>Total Current Liabilities</b>	<b>17,046</b>	10.7%	29,877	18.2%	-42.9%
Long-term loans - net of current maturities and debt issue costs	<b>11,437</b>	7.2%	11,546	7.0%	-0.9%
Lease liabilities	<b>39,970</b>	25.1%	37,897	23.1%	5.5%
Other noncurrent liabilities	<b>1,631</b>	1.0%	1,833	1.1%	-11.0%
<b>Total Noncurrent Liabilities</b>	<b>53,039</b>	33.3%	51,276	31.3%	3.4%
<b>Total Liabilities</b>	<b>70,084</b>	44.0%	81,153	49.5%	-13.6%
Capital stock	<b>2,904</b>	1.8%	2,904	1.8%	0.0%
Additional paid in capital	<b>25,374</b>	15.9%	25,374	15.5%	0.0%
Remeasurements of retirement liability - net of tax	<b>582</b>	0.4%	582	0.4%	0.0%
Treasury stock, at cost	<b>(210)</b>	-0.1%	(210)	-0.1%	0.0%
Retained earnings	<b>60,607</b>	38.0%	53,994	33.0%	12.2%
<b>Total Equity</b>	<b>89,257</b>	56.0%	82,645	50.5%	8.0%
	<b>P159,341</b>	100.0%	P163,798	100.0%	-2.7%

**Working Capital**

As at September 30, 2023 and December 31, 2022, the Group's working capital stood at P51,714 million and P49,121 million, respectively while its current ratio improved to 4.03 as at September 2023 from 2.64 as at December 2022.

**Current Assets**

As at September 30, 2023 and December 31, 2022, total current assets amounted to P68,759 million or 43.2% of total assets and P78,998 million or 48.2% of total assets, respectively, for a decrease of P10,239 million or 13.0%.

Cash and cash equivalents as at September 30, 2023 amounted to P30,301 million or 19.0% of total assets and decreased by P9,045 million or 23.0% 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 and capital expenditures for 2023 new organic stores.

Receivables amounted to P2,795 million as at September 30, 2023 or 1.8% of total assets, with a decrease of P734 million or 20.8% from P3,529 million in December 2022, mainly due to collections made during the period.

Merchandise inventory amounted to P29,942 million or 18.8% of total assets at the end of September 2023. Total inventory increased by P1,727 million or 6.1% primarily due to new stores opened during the period.

Investments in trading securities amounted to P4,624 million and P4,299 million as at September 30, 2023 and December 31, 2022, respectively. The increase of P325 million was due to purchase of a new government bond during the period.

Prepaid expenses and other current assets amounted to P1,098 million and P3,610 million as at September 30, 2023 and December 31, 2022, respectively. The decrease was mainly due to full application during the year of advance payment made to suppliers in prior year.

**Noncurrent Assets**

As at September 30, 2023 and December 31, 2022, total noncurrent assets amounted to P90,581 million or 56.8% of total assets and P84,799 million or 51.8% of total assets, respectively.

Investments in associate and joint ventures amounted to P662 million as at September 30, 2023 and December 31, 2022.

Net book values of property and equipment increased by P3,632 million or 12.0% from P30,235 million in December 2022 to P33,867 million in September 2023. The increase was mainly due to additions made during the period intended for newly established stores.

Intangibles and goodwill amounted to P19,946 million as at September 30, 2023 and P19,690 million as at December 31, 2022.

Right-of-use assets amounted to P31,432 million or 19.7% of total assets and P29,950 million or 18.3% of total assets as at September 30, 2023 and December 31, 2022, respectively.

Deferred tax assets – net amounted to P1,614 million or 1.0% of total assets and P1,515 million or 0.9% of total assets as at September 30, 2023 and December 31, 2022, respectively, for an increase of 6.6% or P100 million.

Other noncurrent assets amounted to P3,060 million as at September 30, 2023 and P2,748 million as at December 31, 2022.

### ***Current Liabilities***

As at September 30, 2023 and December 31, 2022, total current liabilities amounted to P17,046 million or 10.7% of total assets and P29,877 million or 18.2% of total assets, respectively, for a decrease of P12,832 million or 42.9% as at September 30, 2023.

Accounts payable and accrued expenses amounted to P14,086 million and P26,793 million as at September 30, 2023 and December 31, 2022, respectively, and decreased by P12,706 million or 47.4% primarily due to settlement of trade and nontrade liabilities, bulk of which came from the high year end payables and payment of dividends declared in previous year.

Income tax payable decreased by P261 million from P866 million in December 2022 to P605 million in September 2023 due to settlement of income tax liability for the first half of 2023 and year ended December 2022.

Due to related parties, representing royalty fees, amounted to P47 million for the period ended September 2023 and P49 million for the year ended December 2022.

Other current liabilities amounted to P727 million and P726 million as of September 2023 and December 2022, respectively.

### ***Noncurrent Liabilities***

As at September 30, 2023 and December 31, 2022, total noncurrent liabilities amounted to P53,039 million or 33.3% of total assets and P51,276 million or 31.3% of total assets, respectively, for an increase of P1,763 million as at September 30, 2023.

Long-term debt – net of current maturities and debt issue costs amounted to P11,437 million as at September 30, 2023 and P11,546 million as at December 31, 2022.

Lease liabilities amounted to P39,970 million or 25.1% of total assets and P37,897 million or 23.1% of total assets as at September 30, 2023 and December 31, 2022, respectively, or an increase of P2,073 million.

Other noncurrent liabilities amounted to P1,631 million and P1,833 million as at September 30, 2023 and December 31, 2022, respectively.

### ***Equity***

As at September 30, 2023 and December 31, 2022, total equity amounted to P89,257 million and P82,645 million, respectively, for an increase of P6,612 million or 8.0%.

Capital stock amounted to P2,904 million as at September 30, 2023 and December 31, 2022.

Additional paid in capital amounted to P25,374 million as at September 30, 2023 and December 31, 2022.

Retained earnings amounted to P60,607 million and P53,994 million as at September 30, 2023 and December 31, 2022, respectively, or an increase of P6,612 million or 12.2% 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>	<b>For the Nine-month Periods Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Net cash provided by (used in) operating activities	<b>P3,656</b>	(P2,672)
Net cash used in investing activities	<b>(6,280)</b>	(7,562)
Net cash used in financing activities	<b>(6,421)</b>	(4,580)
Net decrease in cash and cash equivalents	<b>(P9,045)</b>	(P14,814)

Net cash provided by operating activities amounted to P3,656 million for the nine-month period ended September 30, 2023. These were mainly due to increase in cash generated from operations net of 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 nine-month period ended September 30, 2023 amounting to P6,280 million were utilized for the acquisition of equipment, furniture & fixtures, construction of buildings and improvements on leased assets.

Net cash used in financing activities for the nine-month period ended September 30, 2023 amounting to P6,421 million pertain to dividend payment and lease liabilities paid 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 Third Quarterly Financial Statement of Puregold Price Club, Inc. and its subsidiaries for the year 2023 to be signed on its behalf by the undersigned thereunto duly authorized.

November 07, 2023 in the City of Manila

**PUREGOLD PRICE CLUB, INC.**

By:

  
**FERDINAND VINCENT P. CO**  
President

  
**MARICEL R. CAMBE**  
Vice-President for Financial Accounting

  
**GRACE E. SY**  
Treasurer

# PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2023 and December 31, 2022**  
**and for the Nine Months Ended September 30, 2023 and 2022**

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

	September 2023	December 2022
Note	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	4 <b>P30,300,614,370</b>	P39,345,261,577
Receivables – net	5 <b>2,795,375,089</b>	3,528,534,693
Merchandise inventories	6 <b>29,942,075,093</b>	28,214,691,119
Financial assets at fair value through profit or loss	7 <b>4,623,628,415</b>	4,299,380,312
Prepaid expenses and other current assets	8 <b>1,097,728,345</b>	3,610,192,152
<b>Total Current Assets</b>	<b>68,759,421,312</b>	78,998,059,853
<b>Noncurrent Assets</b>		
Investment in associate and joint ventures	9 <b>661,884,696</b>	661,884,696
Property and equipment – net	10 <b>33,866,916,266</b>	30,235,011,571
Goodwill and other intangibles	12 <b>19,945,647,128</b>	19,690,050,733
Right-of-use assets – net	11 <b>31,432,404,593</b>	29,949,574,410
Deferred tax assets – net	25 <b>1,614,472,157</b>	1,514,818,425
Other noncurrent assets	13, 19 <b>3,060,084,142</b>	2,748,114,642
<b>Total Noncurrent Assets</b>	<b>90,581,408,982</b>	84,799,454,477
	<b>P159,340,830,294</b>	P163,797,514,330
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	14, 23, 26 <b>P14,086,427,756</b>	P26,792,821,120
Lease liabilities due within one year	19 <b>1,460,033,180</b>	1,322,639,880
Income tax payable	<b>605,137,871</b>	866,441,753
Current portion of long-term loans	15 <b>120,000,000</b>	120,000,000
Due to related parties	23 <b>47,404,241</b>	49,497,532
Other current liabilities	16 <b>726,540,180</b>	725,857,583
<b>Total Current Liabilities</b>	<b>17,045,543,228</b>	29,877,257,868
<b>Noncurrent Liabilities</b>		
Lease liabilities	19 <b>39,970,398,933</b>	37,897,091,551
Noncurrent portion of long-term loans	15 <b>11,437,294,780</b>	11,545,793,200
Other noncurrent liabilities	24 <b>1,630,884,267</b>	1,832,770,412
<b>Total Noncurrent Liabilities</b>	<b>53,038,577,980</b>	51,275,655,163
<b>Total Liabilities</b>	<b>70,084,121,208</b>	81,152,913,031
<b>Equity</b>		
Capital stock	26 <b>2,904,214,086</b>	2,904,214,086
Additional paid-in capital	<b>25,373,547,130</b>	25,373,547,130
Retirement benefits reserve	<b>581,938,236</b>	581,938,236
Treasury stock	<b>(209,597,201)</b>	(209,597,201)
Retained earnings	<b>60,606,606,835</b>	53,994,499,048
<b>Total Equity</b>	<b>89,256,709,086</b>	82,644,601,299
	<b>P159,340,830,294</b>	P163,797,514,330

See Notes to the Interim Consolidated Financial Statements.

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

	Note	For the Nine-Month Periods Ended September 30		For the Three-Month Period July 1 to September 30	
		2023	2022	2023	2022
<b>NET SALES</b>	17	<b>P139,298,608,204</b>	P127,563,358,785	<b>P48,068,077,731</b>	P45,327,502,358
<b>COST OF SALES</b>	6, 18	<b>113,763,567,579</b>	103,597,765,118	<b>39,384,609,835</b>	37,037,476,487
<b>GROSS INCOME</b>		<b>25,535,040,625</b>	23,965,593,667	<b>8,683,467,896</b>	8,290,025,871
<b>OTHER REVENUE</b>	19, 20	<b>2,308,962,836</b>	2,243,009,843	<b>793,409,576</b>	777,819,261
<b>TOTAL GROSS INCOME AND OTHER REVENUE</b>		<b>27,844,003,461</b>	26,208,603,510	<b>9,476,877,472</b>	9,067,845,132
<b>OPERATING EXPENSES</b>	21	<b>17,807,534,945</b>	15,922,961,436	<b>6,113,529,523</b>	5,555,988,063
<b>INCOME FROM OPERATIONS</b>		<b>10,036,468,516</b>	10,285,642,074	<b>3,363,347,949</b>	3,511,857,069
<b>OTHER CHARGES</b>					
Interest expense	10, 15, 19	<b>2,454,350,420</b>	2,144,457,166	<b>831,586,967</b>	726,860,454
Interest income	4, 7	<b>(959,469,880)</b>	(374,557,705)	<b>(327,891,397)</b>	(182,783,082)
Others – net	22	<b>(22,430,740)</b>	(11,783,733)	<b>(8,317,496)</b>	(12,249,541)
		<b>1,472,449,800</b>	1,758,115,728	<b>495,378,074</b>	531,827,831
<b>INCOME BEFORE INCOME TAX</b>		<b>8,564,018,716</b>	8,527,526,346	<b>2,867,969,875</b>	2,980,029,238
<b>PROVISION FOR INCOME TAX</b>					
Current		<b>2,051,564,660</b>	2,183,196,939	<b>679,561,826</b>	743,156,328
Deferred		<b>(99,653,731)</b>	(129,173,477)	<b>(24,009,307)</b>	(37,507,958)
	25	<b>1,951,910,929</b>	2,054,023,462	<b>655,552,519</b>	705,648,370
<b>NET INCOME</b>		<b>P6,612,107,787</b>	P6,473,502,884	<b>P2,212,417,356</b>	P2,274,380,868
Basic and diluted earnings per share	28	<b>P2.31</b>	P2.26	<b>P0.77</b>	P0.79

See Notes to the Interim Consolidated Financial Statements.

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

							Periods Ended September 30
	Note	Capital Stock	Additional Paid-in Capital	Retirement Benefits Reserve	Treasury Stock	Retained Earnings	Total Equity
Balance at January 31, 2022		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		-	-	-	-	6,473,502,884	6,473,502,884
Other comprehensive income		-	-	-	-	-	-
		-	-	-	-	6,473,502,884	6,473,502,884
Transactions with Owners of the Parent Company	26						
Treasury shares - at cost		-	-	-	(70,192,815)	-	(70,192,815)
Cash dividends		-	-	-	-	-	-
Balance at September 30, 2022		P2,904,214,086	P25,361,670,581	P151,224,280	(P182,786,033)	P53,644,979,383	P81,879,302,297
<hr/>							
Balance at January 31, 2023		P2,904,214,086	P25,373,547,130	P581,938,236	(P209,597,201)	P53,994,499,048	P82,644,601,299
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	<b>6,612,107,787</b>	<b>6,612,107,787</b>
Other comprehensive income		-	-	-	-	-	-
		-	-	-	-	<b>6,612,107,787</b>	<b>6,612,107,787</b>
Transaction with Owners of the Parent Company	26						
Treasury shares - at cost		-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Balance at September 30, 2023</b>		<b>P2,904,214,086</b>	<b>P25,373,547,130</b>	<b>P581,938,236</b>	<b>(P209,597,201)</b>	<b>P60,606,606,835</b>	<b>P89,256,709,086</b>

See Notes to the Interim Consolidated Financial Statements.

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

		Periods Ended September 30	
	Note	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>P8,564,018,716</b>	P8,527,526,346
Adjustments for:			
Depreciation and amortization	10, 11, 12, 21	<b>3,701,937,487</b>	3,395,884,309
Interest expense	10, 15, 19	<b>2,454,350,420</b>	2,144,457,166
Retirement benefits cost	21, 24		
Interest income	4, 7	<b>(959,469,880)</b>	(374,557,705)
Gain from lease terminations	19, 22	<b>(11,048,704)</b>	(4,593,117)
Loss (gain) from insurance claims	22	-	1,587,440
Dividend income	7, 22	<b>(1,296,509)</b>	(1,043,722)
Unrealized valuation loss (gain) on financial assets at fair value through profit or loss	22	<b>(3,893,482)</b>	1,553,292
Loss (gain) on sale of financial assets	7	<b>(6,524,397)</b>	-
Operating income before changes in working capital		<b>13,738,073,651</b>	13,690,814,009
Decrease (increase) in:			
Receivables		<b>733,159,604</b>	32,650,466
Merchandise inventories		<b>(1,727,383,974)</b>	(9,843,249,476)
Prepaid expenses and other current assets		<b>2,331,503,651</b>	(653,988,926)
Increase (decrease) in:			
Trade and other payables		<b>(10,241,989,055)</b>	(3,830,993,344)
Due to related parties		<b>(2,093,291)</b>	(2,257,016)
Other current liabilities		<b>682,597</b>	(215,250,124)
Cash generated from (used in) operations		<b>4,831,953,183</b>	(822,274,411)
Income taxes paid		<b>(2,131,908,387)</b>	(2,216,746,953)
Interest received		<b>959,469,880</b>	374,557,705
Retirement benefits paid	24	<b>(3,722,986)</b>	(7,789,225)
Net cash provided by (used in) operating activities		<b>3,655,791,690</b>	(2,672,252,884)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Financial assets at fair value through profit or loss	7	<b>(1,300,000,000)</b>	(3,979,538,953)
Property and equipment	10, 24	<b>(5,359,602,824)</b>	(2,596,763,073)
Intangibles	12	<b>(299,974,503)</b>	(428,701,895)
Other noncurrent assets	13	<b>(311,969,500)</b>	(496,760,295)
Investment in joint venture		-	(62,500,000)
Insurance claims	22	-	(1,587,440)
Proceeds from disposal of:			
Property and equipment	10	<b>4,475,502</b>	2,684,905
Financial assets at fair value through profit or loss		<b>986,169,776</b>	-
Dividends received	7	<b>1,296,509</b>	1,043,722
Net cash used in investing activities		<b>(6,279,605,040)</b>	(7,562,123,029)

Forward

		<b>Periods Ended September 30</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of lease:	19		
Interest expense		<b>(P2,028,002,565)</b>	(P1,757,052,729)
Principal amount		<b>(1,195,417,549)</b>	(822,395,259)
Payments of:			
Cash dividends	26	<b>(2,464,404,309)</b>	(1,434,268,203)
Interest expense		<b>(414,846,275)</b>	(375,902,857)
Repayments of:	15		
Long-term loans		<b>(120,000,000)</b>	(120,000,000)
Short-term loans		-	-
Acquisition of treasury shares	26	-	(70,192,815)
Other noncurrent liabilities		<b>(198,163,159)</b>	-
Availment of long-term loans	15	-	-
Net cash used in financing activities		<b>(6,420,833,857)</b>	(4,579,811,863)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(9,044,647,207)</b>	(14,814,187,776)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>39,345,261,577</b>	41,311,594,337
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4</b>	<b>P30,300,614,370</b>	P26,497,406,561

*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:

	<b>Percentage of Ownership</b>	
	<b>September 2023</b>	<b>December 2022</b>
Kareila Management Corporation	<b>100</b>	100
S&R Pizza (Harbor Point), Inc. <sup>(a)</sup>	<b>100</b>	100
S&R Pizza, Inc. <sup>(a)</sup>	<b>100</b>	100
PSMT Philippines Inc. <sup>(a)</sup>	<b>100</b>	100
PPCI Subic, Inc.	<b>100</b>	100
Entenso Equities Incorporated	<b>100</b>	100
Melilla Management Corporation	<b>100</b>	100
Purepadala, Inc. <sup>(b)</sup>	<b>100</b>	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”), Melilla Management Corporation (“Melilla”), Purepadala, Inc. (“Purepadala”) and PSMT Philippines, Inc (“PSMT”).

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.

Melilla's primary purpose is to act as managers or managing agents of persons, firms, associations, corporations, partnership and other entities; to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises; undertake, carry on, assist or participate in the promotion, organization, management liquidation or reorganization of corporations, partnership and other entities, except the management of funds, securities, portfolio or similar asset and managed entities or corporation without acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, closed-end or open-end investment company, investment house, transfer agent, commodity/ financial futures exchange/ broker / merchant, financing company.

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.

PSMT was incorporated in the Philippines and registered with the SEC on September 29, 2000. Its primary purpose is to conduct and carry on the business of establishing and operating membership supermarket shopping and engage in the business of directly selling to its members all kinds of goods, commodities, wares, and merchandise. PSMT's registered address is at 32nd Street, 5th Avenue, Fort Bonifacio Global City, Taguig City.

On December 1, 2022, Kareila Management Corporation acquired 100% ownership in PSMT for a cash consideration of P112.5 million. The acquisition was accounted for under the pooling of interest method, which resulted in the recognition of additional paid-in capital ("APIC") amounting to P11.9 million in the consolidated financial statements. This represents mainly the excess of the P124 million net assets acquired over the cash consideration..

The financial information of PSMT as at the date of acquisition and for the eleven months period ending December 1, 2022 are as follows:

Current assets	<b>P103,628,388</b>
Noncurrent assets	<b>5,564,215,023</b>
Current liabilities	<b>4,027,564,579</b>
Noncurrent liabilities	<b>1,516,245,211</b>

Majority of PSMT's assets pertain to property and equipment amounting to P4.3 billion and right-of-use asset amounting to P1.2 billion while majority of its liabilities pertain to advances from a stockholder amounting to P4 billion and lease liability amounting to P1.5 billion.

For the month ended December 31, 2022, PSMT contributions to the Group's revenue and net income are negligible. If the acquisition had occurred on January 1, 2022, the effect on consolidated revenue net income is also negligible.

---

## 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 and Sustainability Reporting Standards Council (FSRSC), 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 October 23, 2023.

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 P347.2 million and P355.4 million in September 2023 and 2022, 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 P3.5 billion as at September 30, 2023 and December 31, 2022, 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 P29.9 billion and P28.2 billion as at September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022.

*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 September 30, 2023 and December 31, 2022.

As at September 30, 2023 and December 31, 2022, the following are the carrying amounts of nonfinancial assets:

	<b>Note</b>	<b>September 2023</b>	December 2022
Right-of-use assets - net	11	<b>P31,432,404,593</b>	P29,949,574,410
Property and equipment - net	10	<b>33,866,916,266</b>	30,235,011,571
Investment in associate and joint ventures	9	<b>661,884,696</b>	661,884,696
Computer software and licenses, and leasehold rights	12	<b>444,110,279</b>	188,513,884

*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 September 30, 2023 and December 31, 2022, the Group recognized deferred tax assets amounting to P1.6 billion and P1.5 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 P1.0 billion as at September 30, 2023 and December 31, 2022.

---

### 3. Summary of Significant Accounting Policies

The Company has consistently applied the accounting policies to all years presented in these separate financial statements, except for the changes below.

#### Adoption of Amendments to Standards, and Frameworks

The Company adopted the following relevant amendment to standards and frameworks starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's separate financial statements.

- *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 company's ordinary activities, the amendments require the company 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.

- *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 comprise both incremental costs and an allocation of other direct costs.
- *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 the parent, based on the parent's date of transition to PFRS.
  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments)*. The amendment clarifies that for the purpose of performing the '10 per cent' 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 in PFRS 16.
- 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.
- *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.

#### Standards Issued but Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2022. 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 January 1, 2023*

- *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.

*Effective January 1, 2024*

- *Lease Liability in a Sale and Leaseback (Amendments to PFRS 16 Leases)*. The amendments confirm the following:
  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- *Classification of Liabilities as Current or Non-current – 2020 amendments and Non-Current Liabilities with Covenants – 2022 amendments (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 noncurrent, 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 only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
  - clarified that settlement of a liability includes transferring an entity'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 noncurrent.

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

*Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 Consolidated Financial Statements and PAS 28 Investments in Associates and Joint Ventures)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the Financial Reporting Standards Council decided to postpone the effective date of these amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

#### 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.

#### Common Control Business Combinations

Business combinations involving entities under common control are business combinations in which all of the entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02, *PFRS 3.2 Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have commercial substance from the perspective of the reporting entity. In determining whether the business combination has commercial substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

In applying the pooling of interests method, the Group follows PIC Q&A No. 2012-01, *PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the acquired company for the reporting period in which the common control business combinations occur, are included in the Group's consolidated financial statements at their carrying amounts from the actual date of the acquisition. No adjustments are made to reflect the fair values or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;

- No 'new' goodwill is recognized as a result of the business combination. The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired company is considered as equity adjustment from business combinations, included under "Additional Paid-in Capital" account in the equity section of the statements of financial position; and
- As a policy, no restatement of financial information in the Group's consolidated financial statements for periods prior to the transaction is made.

#### 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 September 30, 2023 and December 31, 2022.

#### *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 September 30, 2023 and December 31, 2022, 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. Additional paid-in capital also includes excess of book value of the net assets acquired over the consideration paid for acquired entity.

##### *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>	<b>September 2023</b>	December 2022
Cash on hand		<b>P643,480,268</b>	P1,706,298,317
Cash in banks	29	<b>8,365,360,314</b>	12,567,230,455
Money market placements	29	<b>21,291,773,788</b>	25,071,732,805
		<b>P30,300,614,370</b>	P39,345,261,577

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 1.6% to 5.7% in September 2023, and 0.2% to 7.0% in December 2022.

Interest income earned from cash in banks and money market placements totaled P818.5 million and P304.8 million in September 2023 and 2022, respectively.

---

#### 5. Receivables

This account consists of:

	<i>Note</i>	<b>September 2023</b>	December 2022
Trade receivables	23	<b>P959,306,551</b>	P2,303,649,634
Less allowance for impairment losses		<b>7,462,327</b>	7,462,327
		<b>951,844,224</b>	2,296,187,307
Nontrade receivables	23	<b>1,843,530,865</b>	1,232,347,386
	29	<b>P2,795,375,089</b>	P3,528,534,693

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

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

---

#### 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 P29.9 billion and P28.2 billion as at September 30, 2023 and December 31, 2022, respectively.

Inventory charged to the cost of sales amounted to P113.8 billion and P103.6 billion in September 2023 and 2022, respectively (see Note 18).

---

## 7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	<i>Note</i>	<b>September 2023</b>	December 2022
Held-for-trading:	22, 29		
Government securities		<b>P4,588,450,000</b>	P4,268,095,378
Equity securities		<b>35,178,415</b>	31,284,934
		<b>P4,623,628,415</b>	P4,299,380,312

---

The Group recognized a gain on sale of government securities amounting to P6.5 million in 2023 (see Note 22).

Interest income on government securities amounted to P141.0 million and P69.8 million in September 2023 and 2022, respectively.

Dividend income on equity securities amounted to P1.3 million and P1.0 million in September 2023 and 2022 (see Note 22).

---

## 8. Prepaid Expenses and Other Current Assets

This account consists of:

	<b>September 2023</b>	December 2022
Prepaid expenses	<b>P771,198,925</b>	479,578,036
Input VAT	<b>202,736,405</b>	83,642,167
Deferred input VAT	<b>122,458,183</b>	209,036,870
Creditable withholding tax	<b>1,334,832</b>	1,547,079
Advances to suppliers	-	P2,836,388,000
	<b>P1,097,728,345</b>	P3,610,192,152

---

Advances to suppliers will be applied in full against the inventory purchases in 2023.

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

The details of prepaid expenses are as follows:

	<b>September 2023</b>	December 2022
Taxes and licenses	<b>P352,625,858</b>	P226,139,184
Advertising and promotion	<b>175,267,990</b>	65,622,592
Insurance	<b>139,778,116</b>	134,310,071
Supplies	<b>18,681,863</b>	8,855,876
Repairs and maintenance	<b>14,323,508</b>	1,778,528
Others	<b>70,521,590</b>	42,871,785
	<b>P771,198,925</b>	P479,578,036

---

## 9. Investment in Associate and Joint Ventures

The details of this account are as follows:

	September 2023	December 2022
Associate	<b>P446,276,872</b>	P446,276,872
Joint ventures	<b>215,607,824</b>	215,607,824
	<b>P661,884,696</b>	P661,884,696

### *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:

	September 2023	December 2022
Balance at beginning of the year	<b>P446,276,872</b>	P461,152,697
Share in net loss	-	(14,875,825)
Balance at end of year	<b>P446,276,872</b>	P446,276,872

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 2022
Percentage of ownership	49.34%
Current assets	P588,231,947
Noncurrent assets	788,394,248
Current liabilities	(515,403,272)
Noncurrent liabilities	(555,578,813)
Net assets	305,644,110
Group's share in net assets	150,804,804
Goodwill	276,058,136
Unrecognized share in net loss during the year	-
Unrecognized share in net loss in prior years	19,413,932
Carrying amount of interest in associate	P446,276,872
Net sales	P3,778,025,380
Net loss	(30,149,625)
Group's share in net loss	(P14,875,825)

### *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 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.

*Pure Commerce, Inc.*

In 2022, the Group through Entenso partnered with 917Ventures Inc., to incorporate a new company, Pure Commerce, Inc. (Pure Commerce). This is the joint venture vehicle for the operation of an online grocery and e-commerce platform.

The Group and its partner each initially invested P62.5 million or acquired 50% interest in Pure Commerce by subscribing to 62,500,000 common shares at P1.0 par value.

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

	<b>September 2023</b>	December 2022
Balance at beginning of year	<b>P215,607,824</b>	P175,395,733
Cost of investment during the year	-	62,500,000
Share in net loss	-	(22,287,909)
Balance at end of year	<b>P215,607,824</b>	P215,607,824

## 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
<b>Cost</b>							
Balance, January 1, 2022	P7,013,817,178	P3,461,013,603	P12,191,542,305	P15,789,109,297	P1,256,633,289	P627,576,233	P40,339,691,905
Additions	210,570,302	199,333,598	692,164,763	336,504,272	1,441,751,941	2,388,359,571	5,268,684,447
Transfer in (Note 1)	-	219,459,884	143,357,231	907,108,385	4,000,000,000	-	5,269,925,500
Reclassifications	310,238,096	12,221,396	222,060,344	311,515,463	-	(928,219,359)	(72,184,060)
Disposals	-	(1,774,873)	(20,883,461)	(14,334,133)	-	-	(36,992,467)
Balance, December 31, 2022	7,534,625,576	3,890,253,608	13,228,241,182	17,329,903,284	6,698,385,230	2,087,716,445	50,769,125,325
Additions (Note 24)	103,115,724	280,479,492	759,126,620	608,369,917	838,558,878	2,769,952,193	5,359,602,824
Reclassifications	44,071,853	73,479,591	529,954,312	1,110,956,049	-	(1,758,461,805)	-
Disposals	-	(459,897)	(12,701,361)	-	-	-	(13,161,258)
<b>Balance, September 30, 2023</b>	<b>7,681,813,153</b>	<b>4,243,752,794</b>	<b>14,504,620,753</b>	<b>19,049,229,250</b>	<b>7,536,944,108</b>	<b>3,099,206,833</b>	<b>56,115,566,891</b>
<b>Accumulated Depreciation</b>							
Balance, January 1, 2022	1,964,428,295	2,065,048,182	8,957,253,337	4,283,454,278	-	-	17,270,184,092
Depreciation	250,038,745	202,719,652	1,011,450,433	828,477,154	-	-	2,292,685,984
Transfer in (Note 1)	-	219,442,922	143,334,810	644,004,835	-	-	1,006,782,567
Reclassifications	1,027,662	(1,213,381)	(6,253,715)	5,185,640	-	-	(1,253,794)
Disposals	-	(1,759,691)	(20,836,360)	(11,689,044)	-	-	(34,285,095)
Balance, December 31, 2022	2,215,494,702	2,484,237,684	10,084,948,505	5,749,432,863	-	-	20,534,113,754
Depreciation	196,367,130	144,998,165	733,094,404	648,762,928	-	-	1,723,222,627
Reclassifications	-	(314,231)	(124,050)	438,281	-	-	-
Disposals	-	(457,935)	(8,227,821)	-	-	-	(8,685,756)
<b>Balance, September 30, 2023</b>	<b>2,411,861,832</b>	<b>2,628,463,683</b>	<b>10,809,691,038</b>	<b>6,398,634,072</b>	<b>-</b>	<b>-</b>	<b>22,248,650,625</b>
<b>Carrying Amount</b>							
December 31, 2022	P5,319,130,874	P1,406,015,924	P3,143,292,677	P11,580,470,421	P6,698,385,230	P2,087,716,445	P30,235,011,571
<b>September 30, 2023</b>	<b>P5,269,951,321</b>	<b>P1,615,289,111</b>	<b>P3,694,929,715</b>	<b>P12,650,595,178</b>	<b>P7,536,944,108</b>	<b>P3,099,206,833</b>	<b>P33,866,916,266</b>

Interest expense on loans capitalized as part of property and equipment amounted to P8.1 million and P9.0 million in September 2023 and 2022, respectively (see Note 15).

The unpaid balance for the additions to the cost of property and equipment pertains mainly to the accrued fixed assets discussed in Note 24.

## 11. Right-of-Use Assets

The movements in this account are as follows:

	September 2023	December 2022
<b>Cost</b>		
Balance at January 1	P45,252,414,144	P39,180,627,913
Additions	3,526,083,240	5,007,531,886
Transfer in (Note 1)	-	1,538,374,493
Modifications to leases	(62,570,859)	(167,530,577)
Terminated leases	(37,153,411)	(89,464,681)
Derecognition of right-of-use assets	(241,622,728)	(217,124,890)
<b>Balance at End of Period</b>	<b>48,437,150,386</b>	<b>45,252,414,144</b>
<b>Accumulated Depreciation</b>		
Balance at January 1	15,302,839,734	12,964,084,205
Depreciation	1,934,336,752	2,243,691,702
Transfer in (Note 1)	-	339,773,660
Other adjustment	16,705,340	-
Terminated leases	(7,513,305)	(27,584,943)
Derecognition of right-of-use assets	(241,622,728)	(217,124,890)
<b>Balance at End of Period</b>	<b>17,004,745,793</b>	<b>15,302,839,734</b>
<b>Carrying Amount at End of Period</b>	<b>P31,432,404,593</b>	<b>P29,949,574,410</b>

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

The ROU additions include payments totaling P400 million for leasehold rights on a number of properties in the Central Visayas region where some of the new stores are situated. These are considered direct costs in obtaining the lease agreements in 2022.

## 12. Goodwill and Other Intangibles

This account consists of:

	September 2023	December 2022
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	188,063,597	147,196,673
Leasehold rights - net	256,046,682	41,317,211
	<b>P19,945,647,128</b>	<b>P19,690,050,733</b>

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:

	<b>September 2023</b>	December 2022
Kareila	<b>P12,079,473,835</b>	P12,079,473,835
Budgetlane Supermarkets	<b>837,974,199</b>	837,974,199
Gant	<b>742,340,804</b>	742,340,804
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	<b>685,904,317</b>	685,904,317
Company E	<b>358,152,015</b>	358,152,015
Black & White (B&W) Supermart	<b>187,203,888</b>	187,203,888
Puregold Junior Supermarket, Inc. (PJSI)	<b>11,374,263</b>	11,374,263
	<b>P14,902,423,321</b>	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.

The Company believes that there is currently no foreseeable limit to the period over which the trademark and customer relationships are expected to generate net cash inflows, and therefore they are assessed to have an indefinite useful life.

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 10.6% and 11.11% in 2022 and 6.6% to 8.7% in 2021. 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 6.0% 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 is 5.4% 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)	
	2022	2021	2022	2021
Kareila	11.1%	6.6%	5.4%	3.6%
Budgetlane Supermarkets	11.1%	6.6%	5.4%	3.6%
Gant	11.1%	6.6%	5.4%	3.6%
DCI and FLSTCI	11.1%	6.6%	5.4%	3.6%

As at December 31, 2022, 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 0.2%.

#### *Computer Software and Licenses*

The movements in computer software and licenses are as follows:

	September 2023	December 2022
<b>Cost</b>		
Balance at January 1	P514,306,536	P477,456,094
Additions	80,249,998	36,962,942
Disposal/adjustments	-	(112,500)
<b>Balance at End of Period</b>	<b>594,556,534</b>	<b>514,306,536</b>
<b>Accumulated Amortization</b>		
Balance at January 1	367,109,863	320,751,386
Amortization*	39,383,074	46,399,465
Disposal/adjustments	-	(40,988)
<b>Balance at End of Period</b>	<b>406,492,937</b>	<b>367,109,863</b>
<b>Carrying Amount</b>	<b>P188,063,597</b>	<b>P147,196,673</b>

\*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:

	September 2023	December 2022
<b>Cost</b>		
Balance at January 1	P75,355,005	P75,355,005
Additions	219,724,505	-
<b>Balance at End of Period</b>	<b>296,679,510</b>	<b>75,355,005</b>
<b>Accumulated Amortization</b>		
Balance at January 1	34,037,794	30,190,044
Amortization*	4,995,034	3,847,750
<b>Balance at End of Period</b>	<b>40,632,828</b>	<b>34,037,794</b>
<b>Carrying Amount at End of Period</b>	<b>P256,046,682</b>	<b>P41,317,211</b>

\*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.

As of September 2023, the Company acquired a total of twenty one divimart stores and converted into Puregold stores. 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>	<b>September 2023</b>	December 2022
Security deposits	29	<b>P2,598,825,684</b>	P2,322,579,554
Advances to contractors		<b>430,659,907</b>	397,317,446
Accrued rent income	20, 25	<b>22,719,391</b>	20,338,482
Others		<b>7,879,160</b>	7,879,160
		<b>P3,060,084,142</b>	P2,748,114,642

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>	<b>September 2023</b>	December 2022
Trade	23, 29	<b>P9,691,306,680</b>	P16,511,333,099
Nontrade	23, 29	<b>1,755,176,829</b>	1,137,842,437
Advances from a stockholder	23, 29	-	4,000,000,000
Dividends payable	26, 29	-	2,464,404,309
Withholding taxes payable		<b>228,615,756</b>	279,208,001
Accrued expenses:	29		
Manpower agency services		<b>926,786,453</b>	920,481,837
Fixed assets	10, 24	<b>511,920,456</b>	568,897,009
Utilities		<b>201,709,252</b>	224,156,868
Rent		<b>172,628,324</b>	155,371,231
Supplies		<b>93,900,251</b>	116,091,602
Others		<b>504,383,755</b>	415,034,727
		<b>P14,086,427,756</b>	P26,792,821,120

The average credit terms 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. These include mainly unreleased checks, reward points liability, and retention payable.

Advances from a stockholder pertain to cash advances made to PSMT for the purchase of a parcel of land. The outstanding amount is non-interest bearing, payable on demand and will be settled in cash. There are no guarantees (see Note 23).

## 15. Long-term Loans

This account consists of:

	<b>Note</b>	<b>September 2023</b>	<b>December 2022</b>
<b>Unsecured Peso Denominated</b>			
Fixed-rate Notes of Parent Company		<b>P11,640,000,000</b>	P11,760,000,000
<b>Unamortized Debt Issue Cost</b>		<b>(82,705,220)</b>	(94,206,800)
	29	<b>11,557,294,780</b>	11,665,793,200
Less current portion		<b>(120,000,000)</b>	(120,000,000)
Noncurrent portion		<b>P11,437,294,780</b>	P11,545,793,200

### *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 September 30, 2023 and December 31, 2022.

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

The movements in debt issue cost are as follows:

	<b>September 2023</b>	<b>December 2022</b>
Balance at beginning of the period	<b>P94,206,800</b>	P109,542,239
Additions	-	-
Amortization	<b>(11,501,580)</b>	(15,335,439)
Balance at end of the period	<b>P82,705,220</b>	P94,206,800

Interest expense charged to profit or loss amounted to P426.3 million and P387.4 million in September 2023 and 2022, 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>	<b>September 2023</b>	December 2022
Deposits from tenants	19, 29	<b>P271,807,183</b>	P251,437,954
Unearned income from suppliers		<b>189,603,042</b>	215,824,384
Unredeemed gift certificates		<b>144,259,383</b>	189,892,979
Commission payable	29	<b>71,059,866</b>	62,659,291
VAT payable		<b>47,583,793</b>	5,896,011
Others	29	<b>2,226,913</b>	146,964
		<b>P726,540,180</b>	P725,857,583

---

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.

Unearned income from suppliers represents payments received in advance for rebates and allowances which are recognized over the period of benefit.

### Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of September 30, 2023 and December 31, 2022. 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 roll-forward of contract liabilities:

	<b>September 2023</b>	December 2022
Beginning balance	<b>P189,892,979</b>	P204,842,310
Add receipts	<b>194,130,884</b>	382,653,710
Less sales recognized	<b>239,764,480</b>	397,603,041
Ending balance	<b>P144,259,383</b>	P189,892,979

---

---

## 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>	<b>September 2023</b>	September 2022
Net sales from stores		<b>P139,298,608,204</b>	P127,563,358,785
Concession fee income	20	<b>1,186,403,394</b>	1,267,399,176
Membership fee income	20	<b>529,847,953</b>	456,496,792
Revenue from contract with customers		<b>P141,014,859,551</b>	P129,287,254,753

---

## 18. Cost of Sales

This account for the periods ended consists of:

	<b>Note</b>	<b>September 2023</b>	September 2022
Beginning inventory	6	<b>P28,214,691,119</b>	P21,558,632,962
Add purchases		<b>115,490,951,553</b>	113,441,014,594
Total goods available for sale		<b>143,705,642,672</b>	134,999,647,556
Less ending inventory	6	<b>29,942,075,093</b>	31,401,882,438
		<b>P113,763,567,579</b>	P103,597,765,118

## 19. Leases

### Lessee

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 3 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:

	<b>September 2023</b>	December 2022
Due within one year	<b>P1,460,033,180</b>	P1,322,639,880
Due beyond one year	<b>39,970,398,933</b>	37,897,091,551
	<b>P41,430,432,113</b>	P39,219,731,431

The movements in lease liabilities are as follows:

	<b>Note</b>	<b>September 2023</b>	December 2022
Balance at beginning of period		<b>P39,219,731,431</b>	P34,918,966,090
Additions		<b>3,277,696,428</b>	4,535,955,067
Transfer in		-	1,513,818,279
Accretion of interest expense		<b>2,028,002,565</b>	2,389,133,602
Repayments		<b>(2,990,302,992)</b>	(3,841,347,844)
Terminations		<b>(40,688,810)</b>	(72,013,313)
Other adjustments		<b>(1,435,650)</b>	-
Modifications		<b>(62,570,859)</b>	(224,780,450)
Balance at end of period	29	<b>P41,430,432,113</b>	P39,219,731,431

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

	<b>September 2023</b>	December 2022
Less than one year	<b>P3,951,620,767</b>	P3,765,152,786
One to five years	<b>15,992,160,606</b>	14,926,559,695
More than five years	<b>53,312,629,047</b>	51,611,205,935
	<b>P73,256,410,420</b>	P70,302,918,416

The following are the amounts recognized in profit or loss:

	<b>September 2023</b>	September 2022
Variable lease payments not included in the measurement of lease liabilities*	<b>P376,950,645</b>	P432,541,093
Expenses related to leases of low-value assets	<b>18,798,643</b>	23,496,429
Expenses related to short-term leases	<b>14,560,057</b>	6,335,864
<b>Total rent expense</b>	<b>410,309,345</b>	462,373,386
Interest accretion on lease liabilities	<b>2,028,002,565</b>	1,757,052,729
Depreciation charge for right-of-use assets	<b>1,934,336,752</b>	1,641,408,900
Gain from lease terminations	<b>11,048,704</b>	4,593,117

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

Security deposits under "Other noncurrent assets" in the consolidated statements of financial position amounted to P2.6 billion and P2.3 billion as at September 30, 2023 and December 31, 2022, respectively.

#### 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 P347.2 million and P355.4 million in September 2023 and 2022, respectively (see Note 20).

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

	<b>September 2023</b>	December 2022
Less than one year	<b>P322,487,540</b>	P273,377,461
One to two years	<b>387,551,653</b>	129,561,045
Two to three years	<b>102,805,951</b>	90,247,977
Three to four years	<b>84,489,416</b>	61,240,232
Four to five years	<b>68,901,213</b>	49,216,568
More than five years	<b>1,203,408,678</b>	974,404,082
	<b>P2,169,644,451</b>	P1,578,047,365

---

## 20. Other Revenue

This account consists of:

	<i>Note</i>	<b>September 2023</b>	September 2022
Concession fee income	17	<b>P1,186,403,394</b>	P1,267,399,176
Membership fee income	17	<b>529,847,953</b>	456,496,792
Rent income	19	<b>347,246,098</b>	355,409,032
Miscellaneous		<b>245,465,391</b>	163,704,843
		<b>P2,308,962,836</b>	P2,243,009,843

---

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>	<b>September 2023</b>	September 2022
Depreciation and amortization	10, 11, 12	<b>P3,685,781,400</b>	P3,378,568,711
Manpower agency services		<b>3,214,000,027</b>	2,704,539,578
Communication, light and water		<b>2,442,345,316</b>	2,298,131,398
Salaries and wages		<b>2,253,703,423</b>	1,996,802,887
Taxes and licenses		<b>852,896,522</b>	760,520,087
Security services		<b>840,746,070</b>	767,084,738
Repairs and maintenance		<b>631,511,128</b>	510,641,053
Store and office supplies		<b>625,530,608</b>	537,068,239
Advertising and marketing		<b>440,332,618</b>	383,591,295
Transportation		<b>428,573,542</b>	376,324,171
Rent	19	<b>410,309,345</b>	462,373,386
Credit card charges		<b>388,310,739</b>	399,560,017
SSS/Medicare and HDMF contributions		<b>224,625,015</b>	179,827,665
Insurance		<b>204,049,148</b>	186,550,123
Janitorial and messengerial services		<b>163,493,718</b>	144,793,753
Other selling expenses		<b>155,123,374</b>	139,412,685
Input VAT on exempt sales		<b>142,382,821</b>	150,298,270
Representation and entertainment		<b>124,855,326</b>	114,251,108
Fuel and oil		<b>118,478,040</b>	128,926,153
Professional fees		<b>47,742,349</b>	30,044,253
Royalty	23	<b>47,404,241</b>	43,611,417
Miscellaneous		<b>365,340,175</b>	230,040,449
		<b>P17,807,534,945</b>	P15,922,961,436

---

---

**22. Others**

This account consists of:

	<b>Note</b>	<b>September 2023</b>	September 2022
Gain from lease terminations	19	<b>P11,048,704</b>	P4,593,117
Gain (loss) from sale of financial assets	7	<b>6,524,397</b>	-
Unrealized valuation gain (loss) on financial assets at FVTPL	7	<b>3,893,482</b>	(1,553,292)
Dividend income	7	<b>1,296,509</b>	1,043,722
Bank charges		<b>(944,352)</b>	(346,381)
Foreign exchange gains (losses)		<b>612,000</b>	9,634,007
Gain (loss) from insurance claims		-	(1,587,440)
		<b>P22,430,740</b>	P11,783,733

---

---

## 23. Related Party Transactions

Other than the items disclosed in Note 1, 9,10,11 and 14, the Group's significant transactions and balances with related parties as at September 30, 2023 and December 31, 2022 are as follows:

Related Party	Year	Note	Amount of Transactions for the Period	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
<b>Parent</b>										
Dividends	2023		P -	P -	P -	P -	P -	P -	Due and demandable	Unsecured
	2022		-	-	-	-	1,213,345,782	-	Due and demandable	Unsecured
<b>Entities under Common Control</b>										
Leases	2023		1,017,102,893	-	92,410	-	5,920,350,990	-	Due and demandable	Unsecured;
	2022	a	958,588,225	-	2,775,453	-	5,970,886,420	-	demandable	no impairment
Short-term investments	2023		-	-	-	-	-	-	Original maturity of less than 3 months	
	2022	4	-	-	-	-	-	-	Due and demandable	Unsecured
Purchase of (advances for) inventories	2023		2,534,776,733	-	-	441,342,894	-	-	Due and demandable	Unsecured
	2022		2,737,910,959	-	-	(10,615,529)	-	-	Due and demandable	Unsecured;
Sale of merchandise	2023		52,279,646	68,547,692	-	-	-	-	Due and demandable	no impairment
	2022		48,113,262	67,578,142	-	-	-	-	Due and demandable	Unsecured;
Security deposits	2023		40,238,581	-	43,510	-	1,842,093	-	Due and demandable	Unsecured;
	2022	a	12,062,244	-	39,603	-	216,738	-	Due and demandable	no impairment
Advances	2023		-	-	-	-	-	-	Due and demandable	Unsecured;
	2022		116,000,000	-	-	-	-	-	Due and demandable	no impairment
Management fee	2023		13,741,540	-	-	-	2,661,070	-	Due and demandable	Unsecured
	2022		9,000,413	-	-	-	2,023,780	-	Due and demandable	Unsecured
Fixed asset	2023		9,967,263	-	136,961,919	-	5,847	-	Due and demandable	Unsecured
	2022		36,875	-	140,920,710	-	-	-	Due and demandable	Unsecured
Loans	2023		4,936,761	-	-	-	4,936,761	-	Due and demandable	Unsecured
	2022	c	2,565,435	-	-	-	2,496,492	-	Due and demandable	Unsecured
Expense reimbursement	2023		240,250,401	-	18,222,490	3,679,707	10,395,369	-	Due and demandable	Unsecured
	2022		344,665,498	-	11,988,770	-	21,372,305	-	Due and demandable	Unsecured
<b>Stockholder</b>										
Advances	2023	d	4,000,000,000	-	-	-	-	-	Due and demandable	Unsecured
	2022		-	-	-	-	4,000,000,000	-	Due and demandable	Unsecured
Royalty expense	2023		47,404,241	-	-	-	-	47,404,241	30 years and subject to renewal	Unsecured
	2022	b	43,611,417	-	-	-	-	49,497,532		
Security deposits	2023		526,180	-	-	-	-	-		
	2022		-	-	-	-	-	-		
Leases	2023		20,521,026	-	-	-	-	-		
	2022	a	17,539,338	-	-	-	-	-		
<b>Key Management Personnel</b>										
Short-term benefits	2023		49,618,104	-	-	-	-	-		
	2022		45,378,461	-	-	-	-	-		
<b>Total</b>	<b>2023</b>			<b>P68,547,692</b>	<b>P155,320,329</b>	<b>P445,022,601</b>	<b>P5,940,192,130</b>	<b>P47,404,241</b>		
<b>Total</b>	<b>2022</b>			<b>P67,578,142</b>	<b>P155,724,536</b>	<b>(P10,615,529)</b>	<b>P11,210,341,517</b>	<b>P49,497,532</b>		

a. Leases - Group as a Lessee

The Group leases certain stores from related parties. Lease terms range from 3 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. 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.

c. Loans

In 2023, the Company obtained an unsecured short-term loan from Puregold Finance amounting to P2.3 million.

d. Advances from a Stockholder

This amount pertains to the advances from a stockholder to PSMT which were used for the acquisition of three (3) parcels of land located in Brgy. Tambo, Paranaque City with an aggregate area of 10,913.59 square meters.

The amount outstanding is non-interest bearing, payable on demand and will be settled in cash.

---

## 24. Other Noncurrent Liabilities

This account consists of:

	<i>Note</i>	September 2023	December 2022
Retirement benefits liability		<b>P996,098,144</b>	P999,821,130
Accrued fixed assets - net of current	<i>10, 14</i>	<b>634,786,123</b>	832,949,282
		<b>P1,630,884,267</b>	P1,832,770,412

a. *Retirement benefits*

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, 2022. 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:

	<b>September 2023</b>	December 2022
Present value of defined benefit obligation	<b>P1,025,600,483</b>	P1,029,323,469
Fair value of plan assets	<b>(29,502,339)</b>	(29,502,339)
<b>Retirement benefits liability</b>	<b>P996,098,144</b>	P999,821,130

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

	<b>September 2023</b>	December 2022
Balance at beginning of period	<b>P1,029,323,469</b>	P1,325,171,983
<b>Included in Profit or Loss</b>		
Current service cost	-	205,938,976
Interest cost	-	68,347,388
	-	274,286,364
<b>Benefits paid/Transfer to affiliated Company</b>	<b>(3,722,986)</b>	(8,636,498)
<b>Included in Other Comprehensive Income</b>		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	-	(457,870,576)
Demographic assumptions	-	-
Experience adjustments	-	(103,627,804)
	-	(561,498,380)
<b>Balance at end of period</b>	<b>P1,025,600,483</b>	P1,029,323,469

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

	<b>September 2023</b>	December 2022
Beginning of the period	<b>P29,502,339</b>	P29,873,021
Interest income	-	1,517,549
Remeasurement gain (loss)	-	(1,888,231)
<b>End of the period</b>	<b>P29,502,339</b>	P29,502,339

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

	<b>September 2023</b>	December 2022
Beginning of period	<b>(P762,001,397)</b>	(P201,508,686)
Actuarial losses for the year	-	(560,492,711)
Ending balance	<b>(P762,001,397)</b>	(P762,001,397)

The cumulative actuarial gain or loss, net of income tax effect, amounted to P581.9 million as at September 30, 2023 and December 31, 2022, 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:

	<b>September 2023</b>	December 2022
Cash in banks	<b>P14,821</b>	P14,821
Debt instruments - government securities	<b>15,743,510</b>	15,743,510
Trust fees payable	<b>(8,547)</b>	(8,547)
Other receivables	<b>13,752,555</b>	13,752,555
	<b>P29,502,339</b>	P29,502,339

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 2023.

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

	December 2022
Discount rate	7.22%
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, 2022 is 17.6 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:

2022	Increase	Decrease
Discount rate (1% movement)	(P128,857,791)	P103,606,529
Future salary increase rate (1% movement)	126,515,768	(103,797,515)

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:

	2022				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,046,524,524	P393,224,101	P64,802,941	P81,466,610	P246,954,550

*b. Accrued fixed assets*

Accrued fixed assets pertains to the remaining obligations for the purchase of a parcel of land amounting to P0.91 billion (see Note 10) as at September 30, 2023 and payable until 2027. The current portion amounting to P279.82 million is included in "Trade and other payables" account (see Note 14).

## 25. Income Taxes

The components of income tax expense are as follows:

	September 2023	September 2022
Current tax expense	<b>P2,051,564,660</b>	P2,183,196,939
Deferred tax benefit	<b>(99,653,731)</b>	(129,173,477)
	<b>P1,951,910,929</b>	P2,054,023,462

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:

	September 2023	September 2022
Income before income tax	<b>P8,564,018,716</b>	P8,527,526,346
Income tax expense at the statutory income tax rates:		
Regular - 25%	<b>P2,124,643,719</b>	P2,121,002,778
Special - 5%	<b>1,375,587</b>	2,175,762
Income tax effects of:		
Dividend income exempt from tax	<b>(324,127)</b>	(260,930)
Interest income subject to final tax	<b>(237,007,087)</b>	(92,757,841)
Nondeductible other expenses	<b>7,265,638</b>	6,286,319
Nondeductible interest expense	<b>56,709,008</b>	19,762,980
Nontaxable income	<b>(1,631,099)</b>	(2,801,958)
Changes in unrecognized DTA/DTL	<b>2,284,581</b>	616,352
Other income subject to final tax	<b>(1,405,291)</b>	-
	<b>P1,951,910,929</b>	P2,054,023,462

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:

	September 2023		December 2022	
	Amount	DTA (DTL)	Amount	DTA (DTL)
PFRS 16*	<b>P10,064,332,570</b>	<b>P2,516,083,141</b>	P9,667,413,096	P2,416,853,273
Retirement benefits liability	<b>1,758,952,567</b>	<b>439,738,142</b>	1,762,485,397	440,621,349
Allowance for impairment losses on receivables	<b>7,462,327</b>	<b>1,865,582</b>	7,462,327	1,865,582
Recognition of DTA due to Merger	<b>389,731</b>	<b>97,433</b>	389,731	97,433
Actuarial loss	-	-	-	-
DTA	<b>11,831,137,195</b>	<b>2,957,784,298</b>	11,437,750,551	2,859,437,637
Fair value of intangible assets from business combination	<b>(4,599,113,528)</b>	<b>(1,149,778,382)</b>	(4,599,113,528)	(1,149,778,382)
Actuarial gain	<b>(759,024,837)</b>	<b>(189,756,209)</b>	(759,024,837)	(189,756,209)
Accrued rent income	<b>(15,110,200)</b>	<b>(3,777,550)</b>	(20,338,482)	(5,084,621)
DTL	<b>(5,373,248,565)</b>	<b>(1,343,312,141)</b>	(5,378,476,847)	(1,344,619,212)
Net	<b>P6,457,888,630</b>	<b>P1,614,472,157</b>	P6,059,273,704	P1,514,818,425

\*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:

	September 2023	December 2022
Common shares- P1 par value		
Authorized	<b>3,000,000,000</b>	3,000,000,000
Issued	<b>2,904,214,086</b>	2,904,214,086
Treasury shares	<b>(38,627,680)</b>	(38,627,680)
	<b>2,865,586,406</b>	2,865,586,406

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:

	<b>September 2023</b>	December 2022
Balance at beginning of year	<b>P38,627,680</b>	P35,677,680
Additions	-	2,950,000
Balance at end of year	<b>P38,627,680</b>	P38,627,680

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.

During 2021, the Company reacquired 1,145,000 of its shares with acquisition cost of P41.3 million as treasury stock.

During 2022, the Company reacquired 2,950,000 of its shares with acquisition cost of P97.0 million as treasury stock.

#### Retained Earnings

On December 15, 2017, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 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 P0.20 per share and special dividend of P0.20 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 P0.20 per share and special dividend of P0.20 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 P0.25 per share and special dividend of P0.20 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 P0.25 per share and special dividend of P0.25 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.

On December 20, 2022, the Group's BOD approved the declaration of a regular dividend of P0.86 per share on record date of January 10, 2023 and payment date of January 20, 2023. The total amount of dividends is P2.5 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:

	<b>September 2023</b>	September 2022
Net income (a)	<b>P6,612,107,787</b>	P6,473,502,884
Weighted average number of ordinary shares (b)	<b>2,865,586,406</b>	2,866,853,073
Basic/diluted EPS (a/b)	<b>P2.31</b>	P2.26

As at September 30, 2023 and December 31, 2022, 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	September 2023	December 2022
Cash in banks and cash equivalents	4	<b>P29,657,134,102</b>	P37,638,963,260
Receivables – net	5	<b>2,795,375,089</b>	3,528,534,693
Financial assets at fair value through profit or loss	7	<b>4,623,628,415</b>	4,299,380,312
Security deposits*	13	<b>2,598,825,684</b>	2,322,579,554
		<b>P39,674,963,290</b>	P47,789,457,819

\*Included under noncurrent assets.

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

	As of September 30, 2023			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	<b>P29,657,134,102</b>	P -	P -	<b>P29,657,134,102</b>
Receivables - net	<b>885,099,732</b>	<b>1,910,275,357</b>	-	<b>2,795,375,089</b>
Financial assets at fair value through profit or loss	<b>4,623,628,415</b>	-	-	<b>4,623,628,415</b>
Security deposits*	<b>2,598,825,684</b>	-	-	<b>2,598,825,684</b>
	<b>P37,764,687,933</b>	<b>P1,910,275,357</b>	<b>P -</b>	<b>P39,674,963,290</b>

\*Included under noncurrent assets.

	As of December 31, 2022			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P37,638,963,260	P -	P -	P37,638,963,260
Receivables - net	1,117,240,088	2,411,294,605	-	3,528,534,693
Financial assets at fair value through profit or loss	4,299,380,312	-	-	4,299,380,312
Security deposits*	2,322,579,554	-	-	2,322,579,554
	P45,378,163,214	P2,411,294,605	P -	P47,789,457,819

\*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:

- a. 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 probability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

- b. 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:

	September 2023		December 2022	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	<b>P1,643,054,925</b>	<b>P -</b>	P2,067,455,493	P -
Past due 1 - 30 days	<b>10,787,451</b>	-	868,450,913	-
Past due 31 - 60 days	<b>300,546,535</b>	-	150,171,047	-
More than 60 days	<b>848,448,505</b>	<b>7,462,327</b>	449,919,567	7,462,327
	<b>P2,802,837,416</b>	<b>P7,462,327</b>	P3,535,997,020	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 September 30, 2023				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
<b>Financial Liabilities</b>					
Trade and other payables*	P13,577,992,335	P13,577,992,335	P13,577,992,335	P -	P -
Due to related parties	47,404,241	47,404,241	47,404,241	-	-
Lease liabilities	41,430,432,113	73,256,410,420	3,951,620,767	15,992,160,606	53,312,629,047
Long-term loans including current portion**	11,557,294,780	14,231,799,834	618,655,175	8,594,469,888	5,018,674,771
Accrued fixed assets	914,605,788	1,121,487,360	320,424,960	801,062,400	-
Other current liabilities***	345,093,961	345,093,961	345,093,961	-	-

\*excluding statutory payables to the government and current portion of accrued fixed assets (see Note 24)

\*\*contractual cash flows include future interest payment

\*\*\*excluding deferred income, unredeemed gift certificates and VAT payable

As at December 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*	P26,225,235,420	P26,225,235,420	P26,225,235,420	P -	P -
Due to related parties	49,497,532	49,497,532	49,497,532	-	-
Lease liabilities	39,219,731,431	70,302,918,416	3,765,152,786	14,926,559,695	51,611,205,935
Long-term loans including current portion**	11,665,793,200	14,619,020,133	506,389,883	8,874,812,000	5,237,818,250
Other current liabilities***	1,121,326,981	1,361,806,080	320,424,960	1,041,381,120	-

\*excluding statutory payables to the government

\*\*contractual cash flows include future interest payment

\*\*\*excluding deferred income, 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:

	September 2023	December 2022
Financial assets:		
Cash in banks	<b>P8,365,360,314</b>	P12,567,230,455
Money market placements	<b>21,291,773,788</b>	25,071,732,805
Government securities	<b>4,588,450,000</b>	4,268,095,378
	<b>P34,245,584,102</b>	P41,907,058,638

### Sensitivity Analysis

A 2.0% increase in interest rates would have increased equity and net income by P51.4 million and P62.9 million in September 2023 and December 2022, 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, Lease Liabilities and Accrued Fixed Assets*

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 September 30, 2023 and December 31, 2022, the Group's investment in financial assets at FVTPL for equity securities and government securities are classified as Level 1 and 2, respectively.