

June 29, 2020

Securities and Exchange Commission

G/F Secretariat Bldg., PICC Complex
Roxas Blvd., Pasay City 1307

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

Ms. Rachel Esther J. Gumtang-Remalante
Head, Corporate Governance and Finance Department

Philippine Stock Exchange

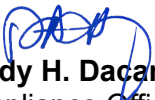
9th Floor, PSE Tower
28th Street corner 5th Avenue,
Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

For submission is the Annual Report (SEC 17-A) of **PUREGOLD PRICE CLUB, INC.** for the year 2019 together with the company's 2019 Consolidated Audited Financial Statements and Sustainability Report.

Thank you,


Candy H. Dacanay – Datuon
Compliance Officer

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)

(02) 523-3055

(Company Telephone Number)

1 2

Month

3 1

Day

SEC FORM 17-A

(Form Type)

Month

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

Shares held by Non-affiliates as of March 31, 2020	Market Value per Share as of March 31, 2020	Total Market Value
1,005,954,449	36.45	P36,667,039,666

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders;
- (b) Any [information statement](#) filed pursuant to [SRC Rule 20](#);
- (c) Any prospectus filed pursuant to SRC Rule [8.1](#).

TABLE OF CONTENTS

	Page
Part I: Business and General Information	
Item 1 Business	4
Item 2 Properties	18
Item 3 Legal Proceedings	18
Item 4 Submission of Matters to a Vote of Security Holders	19
Part II: Operational and Financial Information	
Item 5 Market for Issuer's Common Equity and Related Stockholder Matters	20
Item 6 Management's Discussion and Analysis of Financial Position and Results of Operation	22
Item 7 Financial Statements	33
Item 8 Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	33
PART III: CONTROL AND COMPENSATION INFORMATION	
Item 9 Directors and Executive Officers of the Issuer	35
Item 10 Executive Compensation	45
Item 11 Security Ownership of Certain Beneficial Owners and Management	46
Item 12 Certain Relationships and Related Transactions	47
PART IV: CORPORATE GOVERNANCE	
Item 13 Corporate Governance	48
PART V: EXHIBITS AND SCHEDULES	
Item 14 Exhibits and Reports on SEC Form 17 C	51
SIGNATURE PAGE	
2019 CONSOLIDATED AUDITED FINANCIAL STATEMENTS	Annex "A"
SUPPLEMENTARY SCHEDULES	Annex "B"
SUSTAINABILITY REPORT	Annex "C"

PART 1: BUSINESS AND GENERAL INFORMATION

ITEM 1 BUSINESS

(1) Business Development

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

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

2011 saw the highest number of store openings in Puregold history with the launch of 38 new stores making its number of stores to a total of 100. In the following year, Puregold acquired another related retail company, which was later called “*S&R Membership Shopping*,” under the corporate name “*Kareila Management Corporation*,” with 6 S&R Membership Shopping Warehouses (patterned after the Costco and Sam’s Club in the USA). Puregold also opened 31 new Puregold organic stores and acquired Gant Group of Companies known as “Parco supermarkets” with 19 stores.

In 2013, Puregold acquired another supermarket chain, Company E Corporation, with 15 stores and opened 40 new stores. S&R opened two warehouses located in Davao Province and Mandaluyong City. Company E and Gant Group of Companies later merged with Puregold.

In 2014, Puregold opened 28 stores, one S&R store, and four S&R New York Style Pizza/quick-service restaurants (QSR). In the same year, Puregold partnered with Lawson, Inc. and Lawson Asia Pacific Pte Ltd. under a joint venture company called PG Lawson, Inc. to build and operate a chain of Lawson convenient stores. However, in 2018, Puregold divested from the joint venture and sold to Lawson, Inc. all its share in PG Lawson, Inc.

In 2015, Puregold opened 15 hypermarkets, 11 supermarkets, one S&R Warehouse, and 10 QSRs. Puregold opened another 15 hypermarkets, eight supermarkets, two extras, one minimart, two S&R Warehouse, and seven QSRs in 2016.

In 2017, Puregold opened 35 stores comprising of 25 hypermarkets, five minimarts, and five supermarkets. Another 30 stores, 20 hypermarkets, seven minimarts, and three supermarkets, were opened in 2018.

By the end of 2019, Puregold was operating a total of 229 hypermarkets, 102 supermarkets, 28 extra, 19 minimarts, 18 S&R warehouse clubs, 38 S&R-QSRs, for a total of 434 stores located in the following areas:

	Puregold	S&R	QSR	Total
Metro Manila	130	8	24	162
North Luzon	99	3	4	106
South Luzon	106	3	6	115
Visayas	32	2	4	38
Mindanao	11	2	0	13
Total	378	18	38	434

The company has never been a subject nor involved in a bankruptcy, receivership, or any similar proceedings since its incorporation.

(2) Business of Issuer

(a) Description of the Registrant

1. Principal Products and Services

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

a. Puregold - The company conducts its operations primarily through a hypermarket. These hypermarkets are mostly located in major commercial centers and near transportation hubs. It offers a wide variety of food and non-food products. Generally, it caters to both retail customers and resellers, such as members of the company's pioneering *Tindahan ni Aling Puring* ("TNAP") loyalty/marketing program. The average net selling space of the company's hypermarket is 2,000 to 2,500 square meters. Each hypermarket offers more than 25,000 stock-keeping units (SKU).

The company also has smaller stores with an average net selling space of around 800 square meters. SKUs of product assortment ranges from 8,000 to 12,000. These stores are mostly located in residential areas and offer a higher proportion of food to non-food products vis-a-vis the company's hypermarkets.

b. Puregold Minimart - is the company's smallest store format. It serves as a community store, selling fast-moving essential goods to high-density

neighborhoods. It offers a more limited number of products, comprising the company's top-selling SKUs ranging from 4,000 to 5,000. The average net selling space of these stores is around 250 square meters.

c. S&R Membership Shopping - S&R Membership Shopping started operations with four locations in Metro Manila in 2006. It opened its Cebu warehouse in November 2010, Pampanga warehouse in November 2011, Davao warehouse in May 2013, Mandaluyong warehouse in November 2013, and Imus warehouse in December 2014. In 2015, it opened one warehouse in Nuvali, Sta. Rosa, Laguna and ten quick-service restaurants (QSR) outlets. It opened two warehouses located in the provinces of Iloilo and Cagayan de Oro and seven QSR outlets in 2016. In 2017, S&R opened two warehouses in Dau, Pampanga and Commonwealth, Quezon City. By the end of 2019, S&R operates 18 warehouses and 38 QSRs.

S&R has adopted a warehouse club concept where most of the products offered are in club packs. The majority of the merchandise is imported brand names mostly sourced from the United States. Currently, S&R is the biggest reseller of imported quality products in the Philippines.

d. Entenso Equities, Inc. is a wholly-owned subsidiary of Puregold holding equity interests in Ayagold Retailers, Inc. and San Roque Supermarkets.

Ayagold Retailers, Inc. is a 50/50 joint venture with Ayala Land. It opened a mall-based supermarket in July 2015 called "Merkado" located at UP Town Center, Quezon City, and Vertis North Mall, Quezon City, on December 8, 2017.

San Roque Supermarkets is also a joint venture with the original family owners of San Roque Supermarkets. It operates 23 supermarkets located mostly in Metro Manila.

e. Purepadala, Inc. is another subsidiary of Puregold. It was incorporated in 2018 mainly to operate the remittance operation of the company. At present, it has P50 million capital stock. Purepadala will focus on the integration and remittance service within the network and platform of Puregold.

The company focuses on two customer segments: retail consumers and resellers. For resellers, the company has a TNAP loyalty/marketing program. It started in 2001, and as of December 31, 2019, the company served over 500,000 TNAP members.

For retail end consumers, the company has implemented a loyalty Perks program. Among the many other programs and promotions, Puregold returns the favor to loyal customers through its "*Perks Card*." It is a loyalty program open to all Puregold shoppers who are 18 years old and above. The company specially designed it for customers who do not own sari-sari stores or related businesses. Points earned have

an equivalent peso value, which can be converted to a rebate or treat. To further enhance customer experience, Puregold has even tapped its affiliates into doing partnerships so customers can enjoy more benefits. Furthermore, with over 1.2 million Perks members as of December 2019, Puregold drew various multi-national suppliers to create exclusive programs for Perks cardholders for the entire year.

S&R, on the other hand, serves the “A” “B” and aspirational “C” market segments whose monthly income is over P80,000. The acquisition of S&R enabled the company to widen its market spectrum, comprising practically all the socio-economic brackets.

As of December 2019, S&R has total active members of over 800,000. To effectively serve its customer base, the company maintains a strong relationship with suppliers and trade partners, working closely with them to satisfy customers with reliable on-time deliveries.

2. Percentage of sales or revenues of foreign sales

The company or any of its subsidiaries has no branch or sale outside the Philippines.

3. Distribution Methods

The company replenishes and distributes its merchandise to various stores in the following manners:

- a. Direct-to-store delivery - A substantial portion of the company's inventory and other supplies and materials, about 68%, are delivered directly by suppliers to the stores. Considering the bulk of the business, the company can order a truckload of merchandise direct from the suppliers. The company receives orders and merchandise with an average 7-days lead time from receipt of purchase orders.
- b. Cross-dock facilities – About 32% of the suppliers who are unable to deliver to the company's stores directly deliver their products to the company's two out-sourced cross-dock facilities for onward distribution to Puregold stores.
- c. Store-to-store transfer – All of the company's stores have a stockroom on-premises with warehousing capabilities for additional inventory. However, there are stores with large warehouses that can accommodate merchandise intended for nearby small-format stores. As needed, the company transfers goods from a large store to a small store.
- d. Importation - S&R sends out buyers all over the world to source for its best products. S&R imports 45% to 55% of its products. It currently operates three distribution centers.

4. New Products and Services

Puregold and Globe Telecom, Inc. launched a mobile-based service where a Puregold customer can pay their bills and cash out at any Puregold store. A customer will open a GCash App, enter the amount to cash-in and generate the barcode. Puregold cashier scans the barcode and collects payment. The customer receives confirmation via text message.

Puregold is the first national supermarket chain to integrate mobile payments into point of sale (POS) machines. Last July 2019, the 'scan to pay' (STP) was introduced by Puregold and GCash, where payments can be accepted via barcode in all 3,000+ POS machines nationwide.

5. Competition

SM Supermarkets, Savemore, SM Hypermarkets, Shopwise/Rustan's, Robinsons, Metro Gaisano, and Walter-Mart, are among the top and dominant market participants in the retail sector. But smaller formats like Alfamart of SM group are also becoming our strong competitors; likewise, the online retailers, Lazada, Shoppee, Zalora, Grab Food, Food Panda, and Metromart.

Landers has the same membership shopping format as S&R. It offers imported products as well and caters to the "A" and "B" class segment of our population.

6. Suppliers

With over 2,000 regular suppliers, the company's supplier base is diversified between local suppliers such as Universal Robina Corporation, Monde Nissin, Century Pacific Food, Inc., and multinational corporations such as Nestle, Unilever, and Procter & Gamble. The company selects its suppliers using several criteria, including product assortment and quality, market share of the company in a particular supplier's location, brand reputation, supplier's capacity, company business plans and budgets, logistic possibilities, and compliance with the company's economic principles.

S&R sources the majority of its merchandise from global vendors who have been supplying to membership clubs worldwide.

7. Dependence upon single or few supplier or customer

The company believes that its business is not dependent on any single supplier. The company's three largest food suppliers are Nestlé Philippines, Universal Robina Corporation, and Monde Nissin. The company's three largest non-food suppliers are Procter & Gamble, Unilever Philippines, and Globe Telecom Inc.

Further, the company is not reliant on a single or few customers but to the buying public in general. The company's stores target customers who live within walking distance of

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

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

The company believes that its stores can address the needs of its customers through its extensive product range, a large selection of food as well as non-food products, and an increasing share of private label products. The company divides its customers into several categories:

a. *Retail consumers*: Puregold is targeting "C" and "D" class, these consumers have an average income of P12,000 to P80,000. A typical ticket for retail consumers ranges from P600 to P3,000 per shopping trip at a frequency of two to four times per month. S&R is targeting the "A" and "B" market segment. This segment has an average income of over P80,000 per month.

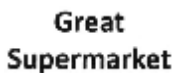
b. *Resellers*: Consisting of resellers, small to medium size *sari-sari* stores, as well as canteens, restaurants, caterers, bakeries, convenience, and drug stores. As of December 31, 2019, there were over 500,000 business owners registered with the company.

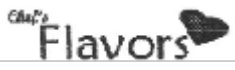
8. Transactions with Related Parties

Please see note 23, page 40 of the 2019 Consolidated Audited Financial Statements of the company for the complete discussion of the company's transaction with related parties.

9. Trademarks

As of December 31, 2019, the company has secured registration of the following tradenames and trademarks from the Intellectual Property Office of the Philippines.

ALWAYS PANALO		GREAT SUPERMARKET	
ANYWEAR		HER COLLECTION/HIS COLLECTION	
AQUALIFE		HIS KIDS/HER KIDS	
AQUALIZED		HOME CLEAN	

ATLANTIC	ATLANTIC
BELLOTA	BELLOTA
CHEF'S FLAVORS	
CLIQUE Logo	
COFFEE MATCH	
COFFEE MAX	
DFP	
DRY PLUS	DRY PLUS
EASY HOME DEPOT	EASY HOME DEPOT
EQUAL	
EQUIVALENT	EQUIVALENT
EZEE	
FRESH & EASY	
FRESH & FREE	
GOLD YARN	
GOLDEN	
GOPURE	GoPure
GRAND P	Grand P

PERFECT MATE	PERFECT MATE
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JOOZY	
KA-ASENSO	Ka- asenso
KA-ASENSO & Device	
KAINDUSTRIYA	
KITANG-KITA CASE	
KOBE CHICKEN	Kobe Chicken
LA FLOR DE LA ISABELA	LA FLOR DE LA ISABELA
MAGIC GLOW	
MARKET 999	MARKET 999
MINI MART BY PUREGOLD	Mini Mart by Puregold
MOMMY MARKET	Mommy Market
MR. PAPER	MR. PAPER
MY BABY PLANET	My Baby Planet
NE KAYA 'YAN CABAYAN!	
NEGOSYO MO CABAYAN CARD	
PANALO KARD	PANALO KARD
PEOPLE'S GROCER	People's Grocer
PEOPLE'S RICE	PEOPLE'S RICE

REACH	
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PERKS LOYALTY CARD	PERKS LOYALTY CARD
PISO GARANTISADO	Piso Garantisado
POSITIVE 99	POSITIVE ≤99
PREM	PREM
PREMIUM GOLD	Premium Gold
PUHUNAN PLUS	PUHUNAN PLUS
PURE BASICS	PURE BASICS
PURE HEALTH CARE	Pure Health Care
PURE PHARMACY	PUREGOLD JACKPOT
PURE PLUS	Pure Plus
PURECART	PURECART
PURECASH	PureCash
PUREGLIDE	PUREGLIDE
PUREGOLD FREE	Puregold Free
PUREGOLD HOME OFFICE	Puregold Home Office
PUREGOLD NUTRITIONISCOOL	Puregold NutritionIsCool
PUREPADALA	PUREPADALA Di lalap eksklusif sa tloos, Malaya ang maraming!
PUREPLEASURE	PUREPLEASURE

SA PUREGOLD, ALWAYS PANALO	SA PUREGOLD, ALWAYS PANALO!
STACK & STOCK RIGHT	Stack Stock Right
TABACALERA	TABACALERA
Tindahan ni Aling Puring	TINDAHAN NI ALING PURING ABOT KAYA ANG ASENSOI
TINDAHAN NI ALING PURING (Super SIM and Device)	ALING PURING SUPER SOKI SIM
TIPPTOES	TIPPTYES
TWIN ELEPHANT	TWIN ELEPHANT
VINO FONTANA	VINO FONTANA
VIPuring	VIPuring
WRAP & SEAL	Wrap & Seal

International Tradename Application	
Tradename	Country
PUREGOLD	HONG KONG

10. Government approvals

Puregold and its subsidiaries have obtained all permits, licenses, and approvals from national and local government units and other government agencies necessary to construct or lease supermarket buildings and operate the same.

11. Effect of existing governmental regulations

Puregold and its subsidiaries do not know of any recent or probable government regulations that may have a material adverse effect on the business operation or financial position of the company and its subsidiaries.

12. Cost and effect of compliance with environmental laws

The company estimates its annual cost for maintaining and renewing the ECCs and other environmental permits for all its existing stores to be about P50 million.

13. Employees

As of 31 December 2019, the company has a total of 10,343 employees. The following table sets out specific details of the employees by location, functions, and status:

Department	
Store Operations	8,512
Head Office	1,831
Total	10,343
Rank	
Executive	22
Senior Manager	106
Manager	511
Officer	573
Supervisory	3,764
Rank & File	5,367
Total	10,343
Employment Status	
Regular	8,051
Probationary	1,232
Contractual	1,060
Total	10,343

The company anticipates that it will employ approximately 1,000 employees within the next 12 months for the planned 25 Puregold store openings and four warehouse and seven QSRs in 2020, and the company does not expect to encounter any difficulty in sourcing the workforce for these additional positions.

The company believes that its relations with its employees are generally good. The company has experienced no material work stoppages or strikes in 2019 and the past five years. The company currently has no labor union nor any collective bargaining agreement with any group of employees.

14. Major Risks

The company considers the following significant risks that may have a potentially adverse effect on its financial condition and operation, as follows:

Changes in consumer behavior may affect the company's operation and profitability. The company always aspires to give consumers a shopping experience that is satisfying to their wants and needs and, at the same time, affordable. When consumers come to our stores, we make sure they get a wide range of product assortment and all other things that can make their store experience appealing to them to come back. However, due to social changes like the emergence of on-line sellers, worsening of traffic, or wide-spread disease, customers may not visit our stores as frequent as they used to be. The company is seeing these changes in consumer behavior affecting its operation.

However, the company has positioned itself to take advantage of the digital shopping by making its delivery network called "Sally." Sally is a mobile application that will allow customers to shop online and have the merchandise delivered to them. Further, we see our big stores as our advantage to this set-up because they can become our delivery hubs. Merchandise can quickly be delivered to our consumers wherever they are in the Philippines.

Aside from an excellent digital network, the company is banking on our reliable employees on the ground to make this delivery of the merchandise to our customers as satisfying as the real store experience.

The company may experience difficulty in implementing its growth strategy. The company's growth is dependent on its plan to continue to build stores and successfully operate stores in new locations in the Philippines. Successful implementation of this strategy depends upon, among other things:

- favorable economic conditions and regulatory environment;
- the identification and acquisition of suitable sites for store locations;
- its ability to purchase or lease appropriate real estate for store locations;
- its ability to open new stores on time;
- its ability to continue to attract customers to its stores;

- the hiring, training, and retention of skilled store personnel;
- the identification and relocation of experienced store management personnel;
- the effective management of inventory to meet the needs of its stores on a timely basis;
- the availability of sufficient levels of cash flow or necessary financing to support the company's expansion; and
- the ability to successfully address competitive merchandising, distribution, and other challenges encountered in connection with expansion into new geographic areas and markets.

Failure by the company to successfully implement its growth strategy due to any of the reasons identified above may have a material adverse effect on its financial condition and results of operations.

However, the company believes it is well-positioned to take advantage of continued growth opportunities in the Philippine retail market. The Philippines has one of the lowest penetration rates in Asia in the modern food retail sector, which comprises modern organized store formats such as hypermarkets and supermarkets.

The company may experience difficulties in expanding into the Visayas and Mindanao. Expansion into these areas exposes the company to operational, logistical, and other risks of doing business in new territories. The company may find it difficult to obtain regulatory or local government approvals for new stores in these areas due to differences in local requirements and processes. The company may also experience difficulty in building the “Puregold” brand name in these new areas. The company may experience difficulty in supply, distribution, transportation, or inventory management issues due to the limited presence of large retailers and underdevelopment of distribution networks. Any problems the company experiences concerning its business presence in the Visayas and Mindanao areas could materially affect its growth strategy, financial condition, and results of operations.

But with the company's well-recognized brand that has become associated with low prices, value, and a wide assortment of goods, the company believes it can manage the risk and successfully expand in Visayas and Mindanao Region. The company believes this substantial brand equity attracts customers to the company's newly opened stores within a shorter period than brands that are not as well-recognized and contributes to the company's ability to achieve profitability from new stores within a short period.

The company may not be able to maintain or improve store sales. The company may not be able to maintain or increase the level of store sales that it has experienced in the recent past.

The company, however, plans to continue to improve and renovate existing stores by upgrading them to address the changing needs and preferences of customers and enhance their overall shopping experience. These efforts include, among others, re-modeling store layouts by optimizing or expanding the sales floor areas of existing

stores to improve the visitor traffic further, optimally positioning promotional items, and continually maintaining and upgrading store decor. The company believes that these efforts make the stores more attractive to customers and contribute to customer loyalty and the Puregold brand name.

New stores may place a greater burden on the company's existing resources and adversely affect its business. The company's proposed expansion will place increased demands on its operational, managerial, financial, and administrative support. These increased demands could cause the company to operate the business less effectively, which in turn could cause deterioration in the financial performance of its existing stores. New store openings in markets where the company has current stores may also result in reduced sales volumes at its existing stores in those markets. Also, the company, or its third-party vendors and suppliers, may not be able to adapt its distribution, management information, and other operating systems to supply products to new stores at competitive prices adequately. Any expansion may adversely affect the efficiency of the company's existing operations and quality of its customer service and may materially affect its financial condition and results of operations.

However, the company's strong relationship with suppliers and trade partners is a crucial feature in maintaining its price competitiveness while offering a comprehensive range of products. The company sources products from over 2,000 domestic and multinational suppliers and has maintained a stable relationship with its top suppliers since 1998. The company believes that these suppliers can provide the company with valuable discounts on merchandise partly because of its long-standing relationships and good credit history. The company also collaborates with these top suppliers through regular meetings and other programs to further improve the company's service. The company believes that these relationships are an essential part of its success in maintaining a stable supplier base.

In Metro Manila's local retail market, the company has also fostered its relationship with suppliers through programs such as TNAP, which puts small business owners directly in contact with suppliers at an annual trade show. To facilitate delivery from smaller-scale suppliers with limited distribution capabilities, the company engages third parties to provide cross-docking services. It allows certain suppliers to benefit from a cost-effective supply chain as the company assists them to outsource part of their delivery obligations. This focus on supplier relationships has enabled the company to take advantage of additional supplier discounts that the company is then able to reflect by offering competitively priced goods to customers. These supplier discounts are vital to the company's pricing advantage over its competitors.

Furthermore, the company has well-established relationships with key tenants such as Jollibee, McDonald's, and Mercury Drug. It has good relations as well with major real estate companies, such as Ayala Land, Inc., which offers the company anchor tenant opportunities at their real estate developments. These relationships serve as crucial business partnerships enabling both the company and its partners to attract customers to their businesses.

The company may face increased competition from other hypermarket or supermarket companies in the Philippines. The retail industry in the Philippines is highly competitive. The intensity of the race in the Philippine retail industry varies from region to region, with Metro Manila generally considered to be the most competitive market in the Philippines. Metro Manila is the company's largest market in terms of revenue. The company's growth depends on its ability to attract and retain customers, predict consumer trends, and upgrade its facilities. Current competitors with several hypermarkets, supermarkets, department stores, and malls include the SM Group, Metro Gaisano, and Robinsons Supermarket, among others. Each of these stores competes with the company based on product selection, product quality, customer service, price, store location, or a combination of these factors. Also, some competitors are aggressively expanding their number of stores or their product offerings. There can be no assurance that the company will be able to compete successfully against current competitors or new entrants.

The company believes that its ability to achieve a strong track record of growth has primarily been due to a business model that emphasizes the following: (1) a multi-format offering of stores, (2) strategic store locations, and (3) efficient and scalable operations. The company believes that this business model differentiates it from its competitors and places it in a position to achieve further expansion. The company has strategically-located stores tailored to maximize coverage and penetration of its targeted market segments. The company offers distinct store formats that are suitable for different localities, such as in commercial areas or residential areas. In terms of location, the company assesses through informal market research, whether a proposed store will be within the catchment area and easily accessible by its target customers. The company believes that its careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

The company's retail business depends on its ability to source and sell the appropriate mix of products to suit consumer preferences. The company's success depends in part on its ability to source and sell products that both meet its standards for quality and appeal to customers' preferences. A small number of the company's employees are primarily responsible for both sourcing products that meet the company's specifications and identifying and responding to changing customer preferences. Failure to source and market such products, or to accurately forecast changing customer preferences, could lead to a decrease in the number of customer transactions at the company's stores and a decrease in the amount customers spend when they visit these stores.

Consumer demand for the company's products is directly affected by consumer preferences. Consumer preferences in the markets in which the company operates or intends to operate may cease to favor the company's store formats or the products offered by the company as a result of changes in lifestyle and dietary preferences or as a result of national or regional economic conditions. Similarly, local conditions may cause customer preferences to vary from region to region. If the company's

management is unable to identify and adapt to such changes in consumer preferences quickly, consumer demand for the company's products may decline, which could have a material adverse effect on the company's business, financial condition, and results of operations.

However, the company has an advanced management information technology system that allows real-time monitoring of critical business information from merchandising, inventory, and point-of-sale data to customers, to financial management systems and business intelligence. This system enables the company to improve its operational efficiency and adjust product offerings in line with market demand based on the sales data accumulated by its information systems. The system also enables automated order replenishment and ensures the just-in-time delivery of products from suppliers. As a result, the company's management information system is a pivotal contributor to the company's growth, providing an in-depth understanding of local demographics and the ability to respond quickly to changing consumer preferences.

The success of the company's business depends in part on the company's ability to develop and maintain good relationships with its current and future suppliers. The sourcing of the company's products is dependent, in part, on its relations with its suppliers. The company has had long working relationships with a broad range of multinational companies such as Procter & Gamble, Unilever, Nestlé, Del Monte, and other multinational companies, which provide approximately 30% of its in-store merchandise. The company also has long working relationships with domestic companies such as San Miguel Corporation, Century Pacific Food, and Universal Robina Corporation. If the company is unable to maintain these relationships, it may not be able to continue to source products at competitive prices that both meet its standards and appeal to its customers.

To mitigate this risk, the company intends to continue entering into strategic partnerships and other business relationships with its suppliers, tenants, and other business partners, such as established real estate developers, to raise its brand awareness and support its growth objectives. The company also aims to continue developing its relationships with these suppliers, tenants, and other business partners to capitalize on any further opportunities for synergy and consolidate critical relationships. Also, the company intends to enhance its unique relationship with its customers by further improving its TNAP program and sharing store management practices with resellers and putting them in contact with key suppliers. The company also plans to continue providing customer loyalty incentives to strengthen its market position across its broad customer base.

ITEM 2. PROPERTIES

As of December 31, 2019, the company owns or leases the following properties:

(a) Puregold

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	2	24	25	90
South Luzon	8	27	29	87
Metro Manila	2	30	30	110
Visayas	2	0	0	34
Mindanao	0	3	3	10
Total Number	14	84	87	331
Total Square Meters	37,328.57	309,642.57	314,439.52	689,144.21

(b) Kareila

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	0	3	3	0
South Luzon	0	3	3	0
Metro Manila	0	8	8	0
Visayas	0	2	2	0
Mindanao	0	2	2	0
Total Number	0	18	18	0
Total Square Meters	0	205,068.64	333,065.06	0

The company uses its properties for retail operations. There is no mortgage, lien, or encumbrance over any of the properties owned by the company that may limit or restrict its ownership or usage.

Lease provisions are mutually agreed upon by the parties and based on general standards set by the company in terms of rental, period, and other stipulations. Lease periods are, on average, up to 25 years. Rental rates depend on the location and the condition of the property. All renewal of leases is upon mutual agreement of the parties.

ITEM 3. LEGAL PROCEEDINGS

There is no material pending legal (civil, criminal, or arbitrary) proceeding in which the company is involved or any of its property is a subject except for minor cases that are incidental in the course of its business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters that the company submitted to stockholders' vote during the stockholders' meeting held on May 14, 2019, there were no other matters submitted during the fiscal year covered by this report to a majority of security holders through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. (A) MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The company's common stock trades in the Philippine Stock Exchange under the symbol "PGOLD." The quarterly high and low of stock prices (in Philippine Peso) for the last two fiscal years and in the current year are in the stated below:

Period	2018		2019		2020	
	High	Low	High	Low	High	Low
1 st Quarter	54	59	46.70	43	40.05	29
2 nd Quarter	53	45.85	49.75	41.90	-	-
3 rd Quarter	47.10	44	46.10	39.05	-	-
4 th Quarter	44.90	40.20	41.30	38	-	-

(B) Stockholders

As of March 31, 2020, the company has 41 stockholders on record, 2,904,214,086 issued shares, 2,884,232,615 outstanding capital stock, and 19,981,471 treasury shares. The company's top 20 stockholders as of March 31, 2020, are as follows:

1	COSCO CAPITAL, INC.	1,410,867,188	49%
2	THE HSBC - CLIENTS ACCT.	384,314,750	13%
3	LUCIO L. CO	211,088,022	7%
4	DEUTSCHE BANK MANILA - CLIENTS A/C	202,381,236	7%
5	SUSAN P. CO	178,242,585	6%
6	CITIBANK N.A	171,695,043	6%
7	STANDARD CHARTERED BANK	69,223,646	2%
8	GOVERNMENT SERVICE INSURANCE SYSTEM	52,668,102	2%
9	BANCO DE ORO - TRUST BANKING GROUP	32,042,483	1%
10	FERDINAND VINCENT P. CO	26,709,460	1%
11	PAMELA JUSTINE P. CO	26,709,460	1%
12	SOCIAL SECURITY SYSTEM	15,521,020	1%
13	ENTENSO EQUITIES INCORPORATED	14,551,209	1%
14	MBTC - TRUST BANKING GROUP	12,384,519	0%
15	COL FINANCIAL GROUP, INC.	9,231,533	0%
16	CAMILLE CLARISSE P. CO	8,155,288	0%
17	WEALTH SECURITIES, INC.	5,973,470	0%
18	A&A SECURITIES, INC.	4,486,900	0%
19	RCBC TRUST & INVESTMENT DIVISION	3,987,900	0%
20	BPI SECURITIES CORPORATION	3,843,675	0%

(C) Dividends

The company's dividends from 2012 to 2019:

Declaration Date	Amount and Type of Dividend (R-regular, S-special)	Record Date	Payment Date
May 8, 2012	S – 0.20 per share	May 22, 2012	June 5, 2012
December 27, 2012	R – 0.10 / S – 0.10 per share	January 14, 2013	February 7, 2013
December 16, 2013	R – 0.20 / S – 0.10 per share	January 6, 2014	January 30, 2014
December 18, 2014	R – 0.20 / S – 0.10 per share	January 12, 2015	February 5, 2015
December 18, 2015	R – 0.20 / S – 0.10 per share	January 8, 2016	January 18, 2016
December 22, 2016	R – 0.20 / S – 0.10 per share	January 12, 2017	January 20, 2017
December 15, 2017	R – 0.20 / S – 0.20 per share	January 2, 2018	January 26, 2018
February 1, 2019	R – 0.20 / S – 0.20 per share	February 15, 2019	March 1, 2019

**In Philippine Peso*

Cash dividends are upon the declaration of the board of directors, but no stockholders' approval is required. Declaration of cash dividend depends on the company's available cash and profitability.

The company has not yet declared stock or property dividends; it would require approval from stockholders and the SEC.

(D) Recent Sales of Securities

On January 16, 2019, the company conducted a top-up placement of around 104 million common shares at P45.00 per share. The placement price was equivalent to a 6.8% discount from its last close of P48.30 as of 16 January 2019.

The shares sold represented 3.8% of the company's outstanding stocks at the time of the sale. The proceeds of around P4.7 billion were used for general corporate purposes and other capital expenditures.

On January 25, 2019, the company filed to the Securities and Exchange Commission a Notice of Exempt Transaction based on Section 10.1 (e) of the Securities and Regulation Code. Mr. Co signed a Subscription Agreement for the same number of shares and price per share.

The deal was done via an overnight book-built offering with Mr. Lucio L. Co as the sole selling shareholder. Deutsche Bank AG acted as the placing agent for the transaction.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

The following discussion and analysis of the company's results of operations, financial condition, and specific trends, risks, and uncertainties that may affect the company's business should be read in conjunction with the auditors' reports and the company's 2019 audited consolidated financial statements and notes.

Key Performance Indicators

The key performance indicators of the company as at and for the last three (3) years ended December 31 are as follows:

	2019	2018 (restated)	2017 (restated)
Current Ratio ⁽¹⁾	2.58:1	1.98:1	1.55:1
Asset to Equity Ratio ⁽²⁾	1.76:1	1.90:1	1.97:1
Debt to Equity Ratio ⁽³⁾	0.76:1	0.90:1	0.97:1
Debt to Total Assets ⁽⁴⁾	0.43:1	0.47:1	0.49:1
Book Value per Share ⁽⁵⁾	P21.57	P19.17	P16.87

	2019	2018 (restated)	2017 (restated)
Earnings per Share ⁽⁶⁾	2.37	2.24	1.99
Price Earnings Ratio ⁽⁷⁾	16.79x	19.18x	25.17x
Return on Assets ⁽⁸⁾	6.47%	6.44%	5.98%
Return on Equity ⁽⁹⁾	11.79%	12.44%	11.78%

- (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) Net income after tax over Weighted Average Common Shares Outstanding
- (7) Market Value per Share over Earnings per Share
- (8) Net income after tax over Average Total Assets
- (9) Net income after tax over Total Equity

Results of Operations

For the year ended December 31, 2019, the company earned a consolidated net income of P6,773 million at 4.4% net margin and an increase of 9.2% from P6,200 million at 4.4% net margin in 2018. Excluding the one-time gain on sale of investment in a joint venture and share in equity investments, core consolidated net income grew by 16.0% at 4.4% and 4.1% net margin in 2019 and 2018, respectively. This was principally driven by the continuous organic expansion of the company's grocery retail outlets on the back of sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to control operating expenses strategically.

The company's financial performance is presented below for the last three (3) comparative years ended December 31:

(In millions)	2019			2018 (restated)			2017 (restated)	
		% to Sales	% Change		% to Sales	% Change		% to Sales
Net Sales	P154,490	100.0%	9.5%	P141,139	100.0%	13.2%	P124,703	100.0%
Cost of Sales	128,540	83.2%	9.7%	117,211	83.0%	13.8%	103,015	82.6%
Gross Profit	25,951	16.8%	8.5%	23,929	17.0%	10.3%	21,688	17.4%
Other Operating Income	3,263	2.1%	10.9%	2,941	2.1%	9.2%	2,692	2.2%
Gross Income	29,213	18.9%	8.7%	26,870	19.0%	10.2%	24,381	19.6%
Operating Expenses	17,830	11.5%	7.2%	16,639	11.8%	13.9%	14,611	11.7%
Operating Income	11,384	7.4%	11.3%	10,231	7.2%	4.7%	9,769	7.8%
Other income(expenses)	(1,804)	-1.2%	18.0%	(1,528)	-1.1%	-17.2%	(1,845)	-1.5%
Net Income before tax	9,580	6.2%	10.1%	8,703	6.2%	9.8%	7,924	6.4%
Income tax expense	2,807	1.8%	12.1%	2,503	1.8%	3.0%	2,430	1.9%
Net Income after tax	P6,773	4.4%	9.2%	P6,200	4.4%	12.8%	P5,494	4.4%

Comparative years 2019 and 2018

Net Sales

For the year ended December 31, 2019, the company posted a consolidated net sales of P154,490 million for an increase of P13,351 million or a growth of 9.5% compared to P141,139 million in 2018. New organic stores put up in 2018 were fully operating in 2019, increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the company for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	4.6%	8.3%
Net Ticket	8.5%	7.3%
Traffic	-3.5%	0.9%

Gross Profit

For the year ended December 31, 2019, the company realized an increase of 8.5% in consolidated gross profit from P23,929 million in 2018 at 17.0% margin to P25,951 million at 16.8% margin in 2019, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. The margin slightly declined during the current period accounting primarily to lower supplier support in relation to the product cost.

Other Operating Income

Other operating income increased by P322 million or 10.9% from P2,941 million in 2018 to P3,263 million in 2019. This is attributable to an increase in concessionaire income, membership income, and rent income driven mainly by new stores that opened during the year and full operation of new stores opened in 2018.

Operating Expenses

Operating expenses increased by P1,191 million or 7.2% from P16,639 million on December 31, 2018, to P17,830 million in 2019. The incremental operating expenses were mainly attributable to depreciation expense, taxes and licenses, repairs and maintenance, advertising and promotion, credit card charges, and manpower expenses principally related to the establishment and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P1,804 million and P1,528 million on December 31, 2019, and 2018, respectively. Interest income increased in December 2019 due to higher placement in short-term investment as compared to placements made in 2018. Interest expense comprised the bulk of the account as a result of the adoption of the new accounting standard, PFRS 16 – Leases.

Net Income

For the year ended December 31, 2019, the company earned a consolidated net income of P6,773 million at 4.4% net margin and an increase of 9.2% from P6,200 million at 4.4% net margin in 2018. Excluding the one-time gain on sale of investment in a joint venture and share in equity investments, core consolidated net income grew by 16.0% at 4.4% and 4.1% net margin in 2019 and 2018, respectively. This was principally driven by the continuous organic expansion of the company's grocery retail outlets on the back of sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to control operating expenses strategically.

Comparative years 2018 and 2017

Net Sales

For the year ended December 31, 2018, the company posted a consolidated net sales of P141,139 million for an increase of P16,436 million or a growth of 13.2% compared to P124,703 million in 2017. New organic stores put up in 2017 were fully operating in 2018, increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the company for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	5.7%	8.4%
Net Ticket	8.0%	8.1%
Traffic	-2.1%	0.2%

Gross Profit

For the year ended December 31, 2018, the company realized an increase of 10.3% in consolidated gross profit from P21,688 million in 2017 at 17.4% margin to P23,929 million at 17.0% margin in 2018, driven by strong sales growth from new and old stores and sustained 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 P249 million or 9.2% from P2,692 million in 2017 to P2,941 million in 2018. This is attributable to an increase in concessionaire income and membership income driven mainly by full operation of 2017 new stores and contribution from new stores opened in 2018. In 2017, S&R tied up with Unioil and offered a P3.00 discount on gasoline and P2.00 off on diesel per liter, to all members using their issued membership cards with magnetic stripes. From March 14 to 18 and September 26 to 30, 2018, S&R held its 5-day sale Members' Treat.

Operating Expenses

Operating expenses increased by P2,028 million or 13.9% from P14,611 million in the year ended December 31, 2017, to P16,639 million in 2018. The incremental operating expenses were mainly attributable to manpower costs, utilities, depreciation expenses, and taxes, principally related to the establishment and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P1,528 million for the year ended December 31, 2018, due to recognition of a one-time gain on sale of investment in joint venture amounting to P363 million. Interest income increased in the year ended December 2018 due to higher placement in short-term financing as compared in 2017.

Net Income

For the year ended December 31, 2018, the company earned a consolidated net income of P6,200 million at 4.4% net margin and an increase of 12.8% from P5,494 million at 4.4% net margin in 2017. Excluding the one-time gain on sale of investment in a joint venture and share in equity investments, core consolidated net income for the year ended December 31, 2018, amounted to P5,820 million at 4.1% net margin and an increase of 3.2%. This was principally driven by the continuous organic expansion of the company's grocery retail outlets on the back of sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores established in 2018.

Financial Position

The company's consolidated financial position as at December 31, 2019, 2018 and 2017:

	2019			2018 (restated)			2017 (restated)	
(In millions)		% to Total Assets	% Change		% to Total Assets	% Change		% to Total Assets
Cash & Cash Equivalents	P17,083	15.7%	59.8%	P10,687	10.6%	32.5%	P8,066	8.8%
Receivables – net	2,676	2.5%	-44.1%	4,790	4.7%	4.8%	4,569	5.0%
Merchandise inventory	19,526	18.0%	-1.0%	19,732	19.6%	11.5%	17,697	19.3%
Investments in trading securities	35	0.0%	-4.3%	37	0.0%	-22.1%	47	0.1%
Prepaid expenses and other current assets	720	0.7%	-12.2%	820	0.8%	32.1%	621	0.7%
Total Current Assets	40,040	36.9%	11.0%	36,066	35.8%	16.3%	31,000	33.8%
Investments in associates and joint venture	623	0.6%	3.3%	603	0.6%	-24.0%	794	0.9%
Property and equipment- net	21,162	19.5%	8.6%	19,489	19.3%	10.1%	17,696	19.3%
Intangibles and goodwill	19,731	18.2%	0.0%	19,736	19.6%	0.0%	19,737	21.5%
Right-of-use assets – net	23,825	21.9%	7.0%	22,270	22.1%	9.0%	20,430	22.2%
Deferred tax assets – net	850	0.8%	131.9%	366	0.4%	71.3%	214	0.2%
Other noncurrent assets	2,405	2.2%	3.7%	2,319	2.3%	18.4%	1,959	2.1%
Total Noncurrent Assets	68,594	63.1%	5.9%	64,784	64.2%	6.5%	60,830	66.2%
	P108,635	100.0%	7.7%	P100,850	100.0%	9.8%	P91,829	100.0%
Accounts payable and accrued expenses	P13,080	12.0%	12.0%	P11,677	11.6%	0.5%	P11,613	12.6%
Short-term loans payable	502	0.5%	-89.5%	4,756	4.7%	15.7%	4,113	4.5%
Income tax payable	937	0.9%	18.0%	794	0.8%	-9.5%	878	1.0%
Due to related parties	47	0.0%	8.4%	43	0.0%	17.3%	37	0.0%
Current maturities of long - term loans, net of debt issue costs	-	0.0%	0.0%	-	0.0%	0.0%	2,399	2.6%
Lease liabilities due within one year	490	0.5%	-23.5%	641	0.6%	9.3%	586	0.6%
Other current liabilities	435	0.4%	29.6%	336	0.3%	-20.4%	422	0.5%
Total Current Liabilities	15,491	14.3%	-15.1%	18,247	18.1%	-9.0%	20,047	21.8%
Long-term loans - net of current maturities and debt issue costs	400	0.4%	-78.3%	1,840	1.8%	0.0%	-	0.0%
Lease liabilities	29,926	27.5%	9.7%	27,272	27.0%	10.9%	24,588	26.8%
Retirement benefits liability	919	0.8%	92.1%	478	0.5%	-11.1%	538	0.6%
Total Noncurrent Liabilities	31,245	28.8%	5.6%	29,591	29.3%	17.8%	25,126	27.4%
Total Liabilities	46,735	43.0%	-2.3%	47,838	47.4%	5.9%	45,174	49.2%
Capital stock	2,904	2.7%	3.7%	2,800	2.8%	0.5%	2,785	3.0%
Additional paid in capital	25,362	23.3%	21.8%	20,830	20.7%	0.0%	20,830	22.7%
Remeasurements of retirement liability - net of tax	54	0.1%	-80.1%	274	0.3%	133.3%	117	0.1%
Treasury stock, at cost	(71)	-0.1%	0.0%	(71)	-0.1%	25.7%	(57)	-0.1%
Retained earnings	33,650	31.0%	15.3%	29,179	28.9%	27.0%	22,980	25.0%
Total Equity	61,899	57.0%	16.8%	53,012	52.6%	13.6%	46,656	50.8%
	P108,635	100.0%	7.7%	P100,850	100.0%	9.8%	P91,829	100.0%

Comparative Years 2019 and 2018

Current Assets

As of December 31, 2019, and 2018, total current assets amounted to P40,040 million or 36.9% of total assets, and P36,066 million or 35.8% of total assets, respectively, for an increase of P3,974 million or 11.0% as at December 31, 2019.

Cash and cash equivalents as of December 31, 2019, amounted to P17,083 million or 15.7% of total assets and increased by P6,396 million or 59.8% compared to previous

year-end balance. An increase in the company's cash position was attributable mainly to cash generated from operations net of the settlement of trade and non-trade payables, payment for cash dividend, partial settlement of loans, and capital expenditures for 2019 new organic stores.

Receivables amounted to P2,676 million as of December 31, 2019, or 2.5% of total assets, with a decrease of P2,114 million or 44.1% from P4,790 million in December 2018. The reduction was due to collections made during the year.

Merchandise inventory amounted to P19,526 million or 18.0% of total assets at the end of 2019. The overall stock decreased by P206 million or 1.0% as of December 2019.

Investments in trading securities amounted to P35 million and P37million as of December 31, 2019, and 2018, respectively.

Prepaid expenses and other current assets amounted to P720 million and P820 million as of December 31, 2019, and 2018, respectively. The decrease was mainly due to amortizations made during the year.

Noncurrent Assets

As of December 31, 2019, and 2018, total noncurrent assets amounted to P68,594 million or 63.1% of total assets and P64,784 million or 64.2% of total assets, respectively, for an increase of P3,811 million or 5.9% as at December 31, 2019.

Investments amounted to P623 million and P603 million as of December 31, 2019, and 2018, respectively.

Netbook values of property and equipment increased by P1,673 million or 8.6% from P19,489 million in December 2018 to P21,162 million in December 2019. The increase was mainly due to additions made during the year intended for newly established/operating stores.

Right-of-use assets amounted to P23,825 million or 21.9% of total assets and P22,270 million or 22.1% of total assets as of December 31, 2019, and 2018, respectively.

Deferred tax assets – net amounted to P850 million or 0.8% of total assets and P366 million or 0.4% of total assets as of December 31, 2019, and 2018, respectively, for an increase of 131.9% or P483 million. The increase was due to the recognition of deferred tax in compliance with PFRS 16 – Leases.

Intangibles amounted to P19,731 million as of December 31, 2019, and P19,736 million as of December 31, 2018.

Other noncurrent assets amounted to P2,405 million as of December 31, 2019, and P2,319 million as of December 31, 2018.

Current Liabilities

As of December 31, 2019, and 2018, total current liabilities amounted to P15,491 million or 14.3% of total assets and P18,247 million or 18.1% of total assets, respectively, for a decrease of P2,756 million or 15.1% as at December 31, 2019.

Accounts payable and accrued expenses amounted to P13,080 million and P11,677 million as of December 31, 2019, and 2018, respectively, and increased by P1,403 million or 12.0% primarily due to unpaid dividend declared as of December 2019.

Short-term loans payable amounted to P502 million and P4,756 million as of December 31, 2019, and 2018, respectively, or a decrease of 89.5% or P4,255 million. The reduction was due to a settlement made by Puregold due to high-interest rates.

Income tax payable increased by P143 million from P794 million in December 2018 to P937 million in December 2019 due to the provision of income tax liability incurred during the year.

Due to related parties, representing royalty fees, amounted to P47 million for the year ended December 2019 and P43 million for the year ended December 2018. The increase was due accrual of liability incurred as at December 2019

Lease liabilities due within one year pertain to the current portion of lease liabilities. The decrease was due to the actual payments made during the year.

Other current liabilities increased by P99 million or 29.6% from P336 million in December 2018 to P435 million in December 2019. The increase in the account was due to deposits from tenants and the sale of gift certificates during the year.

Noncurrent Liabilities

As of December 31, 2019, and 2018, total noncurrent liabilities amounted to P31,245 million or 28.8% of total assets, and P29,591 million or 29.3% of total assets, respectively, for an increase of P1,654 million or 5.6% as at December 31, 2019.

Lease liabilities amounted to P29,926 million or 27.5% of total assets and P27,272 million or 27.0% of total assets as of December 31, 2019, and 2018, respectively, or an increase of P2,653 million or 9.7% due to new stores opened during the year.

Long-term debt – net of current maturities and debt issue costs amounted to P400 million and P1,840 million as of December 31, 2019, and 2018, respectively, for a decrease of P1,440 million or 78.3%. The decrease was due to a settlement made by the Parent Company to save on interest expenses.

Retirement benefits liability amounted to P919 million and P478 million as of December 31, 2019, and 2018, respectively. The increase was due to the recognition of liability as of December 2019.

Equity

As of December 31, 2019, and 2018, total equity amounted to P61,899 million and P53,012 million, respectively, for an increase of P8,888 million or 16.8%.

Capital stock amounted to P2,904 million and P2,800 million as of December 31, 2019, and 2018, respectively, for an increase of P104 million or 3.7% due to top up the placement of stocks at P45 per share, made in the first quarter of 2019.

Additional paid-in capital amounted to P25,362 million and P20,830 million as of December 31, 2019, and 2018, respectively, for an increase of P4,531 million or 21.8%. The increase was due to the excess of the selling price of new shares issued over the par value of the stocks, net of direct expenses.

Retained earnings amounted to P33,650 million and P29,179 million as of December 31, 2019, and 2018, respectively, or an increase of P4,471 million or 15.3% due to income made during the period, net of dividend payments.

Comparative Years 2018 and 2017

Current Assets

As of December 31, 2018, and 2017, total current assets amounted to P36,066 million or 35.8% of total assets, and P31,000 million or 33.8% of total assets, respectively, for an increase of P5,066 million or 16.3%.

Cash and cash equivalents as of December 31, 2018, amounted to P10,687 million or 10.6% of total assets and increased by P2,622 million or 32.5% compared to previous year-end balance. An increase in cash balance was due to net cash generated from operations.

Receivables amounted to P4,790 million as of December 31, 2018, or 4.7% of total assets, with an increase of P220 million or 4.8% from P4,569 million in December 2017. The growth was due to an increase in sales during the year related to the full-year operation of new organic and acquired stores.

Merchandise inventory amounted to P19,732 million or 19.6% of total assets at the end of December 2018. Total inventory increased by P2,035 million or 11.5% principally due to the stocking requirements of new organic and acquired stores.

Investments in trading securities amounted to P37 million as of December 31, 2018, from P47 million in December 2017 and decreased by P10 million or 22.1% due to unrealized loss from changes in fair market values.

Prepaid expenses and other current assets increased by P199 million or 32.1% due to prepayments made for advertising, prepayments for taxes and licenses, and availing of new policies for insurance of new stores.

Noncurrent Assets

As of December 31, 2018, and 2017, total noncurrent assets amounted to P64,784 million or 64.2% of total assets and P60,830 million or 66.2% of total assets, respectively, for an increase of P3,954 million or 6.5% as at December 31, 2018.

Investments amounted to P603 million and P794 million as of December 31, 2018, and 2017, respectively. The net decrease of P191 million was due to the sale of investment in a joint venture with Lawson and P33 million additional equity investments in Ayagold

during the period to finance both capital expenditures and working capital requirements for its second Mercado Supermarket outlet which was opened in December 2017.

Netbook values of property and equipment increased by P1,793 million or 10.1% from P17,696 million in December 2017 to P19,489 million in December 2018. This was principally due to capital expenditures of new stores established during the period.

Intangibles and goodwill amounted to P19,736 million and P19,737 million for the years ended December 31, 2018, and 2017, respectively.

Right-of-use assets amounted to P22,270 million or 22.1% of total assets and P20,430 million or 22.2% of total assets as of December 31, 2018, and 2017, respectively.

Other noncurrent assets increased by P360 million or 18.4% from P1,959 million in December 2017 to P2,319 million in December 2018. This was primarily due to an increase in security deposits made concerning new leases acquired for the establishment of new Puregold organic stores and S&R warehouses and advance payments made to contractors.

Current Liabilities

As at December 31, 2018, and 2017, total current liabilities amounted to P18,247 million or 18.1% of total assets and P20,047 million or 21.8% of total assets, respectively, for a decrease of P1,800 million or 9.0%

Accounts payable and accrued expenses increased by P64 million or 0.5% to P11,677 million in December 2018 from P11,613 million in December 2017.

Short-term loans payable increased by P644 million or 15.7% from P4,113 million in December 2017 to P4,756 million in December 2018 due to the net settlement of short-term loans during the year.

Income tax payable decreased by P83 million from P878 million in December 2017 to P794 million in December 2018 due to the settlement of tax liabilities due for the third quarter of 2018.

Due to related parties amounted to P43 million and P37 million for the year ended December 2018 and 2017, respectively. This pertains to royalty fees.

Current maturities of long-term debt decreased by P2,399 million to nil in December 2018 due to maturity of the outstanding balance as of December 2018 portion of which is rolled over for another seven years and recognized under long term liabilities.

Lease liabilities due within one year pertain to the current portion of lease liabilities. The decrease was due to the actual payments made during the year.

Other current liabilities amounted to P336 million and P422 million for the year ended December 31, 2018, and 2017, respectively. The decrease in the account was relatively due to the redemption of gift checks and perks point benefits.

Noncurrent Liabilities

As of December 31, 2018, and 2017, total noncurrent liabilities amounted to P29,591 million or 29.3% of total assets and P25,126 million or 27.4% of total assets, respectively, for an increase of P4,464 million or 17.8%

Long-term loans-net of current maturities and debt issue costs amounted to P1,840 million as of December 31, 2018. The loan amount was a portion of current loans matured during the year and rolled over for another seven years.

Lease liabilities amounted to P27,272 million or 27.0% of total assets and P24,588 million or 26.8% of total assets as of December 31, 2018, and 2017, respectively, or an increase of P2,684 million or 10.9% due to new stores opened during the year.

Retirement benefits liability decreased by P60 million or 11.1% due to actuarial gains recognized in other comprehensive income, reducing the total retirement liability as of December 31, 2018.

Equity

As of December 31, 2018, and 2017, total equity amounted to P53,012 million or 52.6% of total assets and P46,656 million or 50.8% of total assets, respectively, for an increase of P6,356 million or 13.9% as at the end of the year.

Re-measurements of retirement liability - net of tax pertain to adjustments made in compliance with the accounting standard covering employee benefits. As of December 2018, the account increased by P156 million due to unrealized gain on the re-measurement of defined benefit liability.

Treasury stock amounted to P71 million and P57 million as of December 2018 and 2017, respectively. The increase in the account pertains to issuance of shares of stock to effect the merger of Goldtempo Inc., Firstlane Super Traders Co. Inc, and Daily Commodities, Inc. to the Parent Company.

Retained earnings increased by P6,200 million or 27.0%, coming from net after-tax income realized during the current year.

Treasury stock amounted to P57 million for the year ended December 31, 2018, and 2017.

Cash Flows

The following table sets forth the Company's statements of cash flows for the last three (3) years ended December 31:

<i>(In millions)</i>	2019	2018 <i>(restated)</i>	2017 <i>(restated)</i>
Net cash provided by operating activities	P15,073	P9,615	P9,748
Net cash used in investing activities	(3,773)	(3,395)	(4,036)
Net cash used in financing activities	(4,904)	(3,598)	(4,062)
Net increase in cash and cash equivalents	P6,396	P2,622	P1,650

Cash flows from operating activities

Net cash provided by operating activities amounted to P15,073 million, P9,615 million, and P9,748 million for the years ended December 31, 2019, 2018, and 2017, respectively. This was mainly due to an increase in operating income driven by aggressive store expansion.

Cash flows used in investing activities

Net cash used in investing activities amounted to P3,773 million, P3,396 million, and P4,036 million for the years ended December 31, 2019, 2018, and 2017, respectively. Capital expenditures for acquisitions of equipment, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounted to P3,658 million in 2018 and P3,588 million in 2017.

Cash flows from (used in) financing activities

Net cash used in financing activities amounted to P4,904 million, P3,598 million, and P4,062 million for the years ended December 31, 2019, 2018, and 2017, respectively pertaining to the settlement of loans and dividend payable.

Capital Expenditures

The table below sets out the company's capital expenditures in 2019, 2018 and 2017.

<i>(In millions)</i>	For the years ended December 31,		
	2019	2018	2017
Office and store equipment	P865	P883	P881
Furniture and fixtures	257	155	218
Leasehold improvements	468	631	1,362
Building	155	237	650
Land	-	-	56
Construction in progress	2,088	1,753	423
Total	P3,833	P3,659	P3,590

The company has historically funded its capital expenditures through internally generated funds derived from operating cash flows augmented by bank loans if and when necessary. The company's low leverage ratios would enable the parent company to raise additional equity or debt capital funding from the capital market to finance strategic business acquisition possibilities should the opportunity arise.

Financial Risk Management Objectives and Policies

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

- Credit Risk

- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

The company's financial risk management objectives and policies are discussed in Note 28 of the company's audited consolidated financial statements.

Material Events and Uncertainties

There are no known trends or any perceived demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the company'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 company, including any default or acceleration of a debt;

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

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business in line with the company'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 company experiences the fourth quarter of the year as the peak season relating to increased sales resulting from Christmas and New Year holidays.

ITEM 7. FINANCIAL STATEMENTS

The board approved the 2019 Consolidated Audited Financial Statement on May 18, 2020, a copy of which is attached as Annex "A."

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

(a) Audit Fees

Puregold and Kareila	2017	2018	2019
	5,610,000	5,510,000	5,700,000

The company did not engage the services of R.G. Manabat (KPMG) for non-audit services.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

(A) Directors

The board of directors of the company is composed of nine members, six are male, and three are female, and one board consultant. No director of the company concurrently serves as a director in five or more listed companies. The directors' business profile is as follows:

(1) Lucio L. Co, Filipino, 65 years old, Chairman

Mr. Co has been the Chairman of the Board since 1998.

Mr. Co is currently the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc.

He is also the Chairman of Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc.

He is a Director of these companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCKK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation and VS Gripal Power Corporation. He is a member of the Board of Trustees of Adamson University and Luis Co Chi Kiat Foundation, Inc.

Mr. Co holds positions in other PSE listed companies: Chairman of Cosco Capital, Inc., Director of Philippine Bank of Communications, and Chairman & President of Da Vinci Capital Holdings, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

(2) Susan P. Co, Filipino, 62 years old, Vice-Chairman

Mrs. Co has been the Vice-Chairman of the company since 1998.

Mrs. Co concurrently holds the following positions in other companies: Chairman and President of Cosco Price, Inc., Chairman of Tower 6789 Corporation and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation,

Ellimac Prime Holdings, Inc., Kareila Management Corporation, KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Patagonia Holdings Corp., PPCI Subic, Inc., Premier Wine and Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Union Energy Corporation and Union Equities, Inc.

Mrs. Co also serves in other PSE-listed companies: Vice-Chairman of Cosco Capital, Inc. and Director of Philippine Bank of Communications.

Mrs. Co received a Bachelor of Science degree in Commerce from the University of Santo Tomas.

(3) Ferdinand Vincent P. Co, Filipino, 38 years old, President

Mr. Vincent Co has been the President of the company since 2015.

Mr. Vincent Co concurrently holds the following positions: Chairman and President of Alerce Holdings Corp., Blue Ocean Foods, Inc., Forbes Corporation, Invesco Company, Inc., KMC Realty Corporation, League One, Inc., PPCI Subic Inc., Patagonia Holdings Corp., Purepadala, Inc., and VFC Land Resources, Inc.; President of Ayagold Retailers, Inc., Entenso Equities, Inc., and Union Equities, Inc.; Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Meritus Prime Distributions, Inc., P.G. Holdings, Inc., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City Power Corp., Tower 6789 Corporation and Union Energy Corporation.

Mr. Vincent Co received a Bachelor of Science degree in Entrepreneurial Management from the University of Asia and the Pacific in 2003.

(4) Pamela Justine P. Co, Filipino, 36 years old, Director

Ms. Pamela Co has been a Director of the company since 2003.

Ms. Pamela Co is concurrently the President of Pajusco Holdings Corporation and Director of Alerce Holdings Corp., Bellagio Holdings, Inc., Blue Ocean Foods, Inc., Blue Ocean Holdings, Inc., Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Forbes Corporation, Invesco Company, Inc., Kareila Management Corporation, KMC Realty Corporation, League One, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., P.G. Holdings, Inc., Patagonia Distributions, Inc., Patagonia Holdings Corp., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty-Free (Subic), Inc., Puregold Properties, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Union Energy Corporation, Union Equities, Inc., SPC Resources, Inc.,

Union Energy Corporation, Union Equities, Inc., SPC Resources, Inc., and VFC Land Resources, Inc.

Ms. Pamela Co is one of the executive officers in Kareila Management Corporation (S&R) concentrating on merchandising.

She graduated from Thames International School with a Bachelor of Science Degree in Entrepreneurship in 2006.

(5) Leonardo B. Dayao, Filipino, 76 years old, Director

Mr. Dayao was the President of Puregold from 2005 to 2014. He was a member of the board since 1998.

He is also the Chairman and President of Fertuna Holdings Corp., Chairman of Catuiran Hydropower Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Kareila Management Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc., S&R Pizza, (Harbor Point) Inc., S&R Pizza, Inc., Vice-Chairman of Ayagold Retailers, Inc., President of NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Union Energy Corporation, Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Duty Free, Inc., Puregold Properties, Inc. and Union Equities, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Karayan Hydropower Corporation and Puregold Realty Leasing & Management, Inc.

Mr. Dayao is also holding positions in other PSE-listed companies: President of Cosco Capital, Inc. and Vice-Chairman of Philippine Bank of Communications.

He received a Bachelor of Science Degree in Commerce from the Far Eastern University. He is a Certified Public Accountant. He completed the Basic Management Program at the Asian Institute of Management and earned units in MBA from the University of the Philippines-Cebu.

(6) Jack Huang, Filipino, 66 years old, Director

Mr. Huang has been one of the Directors of the company since 2017.

Mr. Huang also serves as President of First Abacus Financial Holdings Corp., Vice-President of Abacus Capital and Investment Corp., Director of Abacus Securities Corp., Cebu Business Continuous Forms and Richmedia Network, Inc. and a member of the Board of Trustees of Sacred Heart School (Ateneo de Cebu).

Mr. Huang graduated with a degree of Bachelor of Arts, major in Economics, from the Ateneo de Manila University in 1975.

(7) Marilyn V. Pardo, Filipino, 81 years old, Independent Director

Mrs. Pardo has been an Independent Director of the company since 2012.

Mrs. Pardo is also the Chairman of the Corporate Governance Committee of the company. She is currently the Chairman and CEO of Asian Holdings Corporation, Casa Catalina Corporation, Downtown Properties, Inc. and Casa Catalina Properties, Inc.

She graduated with a degree in Liberal Arts from Assumption College in 1960.

(8) Edgardo G. Lacson, Filipino, 76 years old, Lead Independent Director

Mr. Lacson has been an Independent Director of the company since 2012. Mr. Lacson also serves as Chairman of Metrostores, Inc., President of MIS Maritime Corp., Safeseas Shipping Agency Services, and Independent Director of Zestpower, Inc. He is a member of the Philippine Chamber of Commerce and Industry, Employers Confederation of the Philippines, and Confederation of Asia Chamber of Commerce and Industry. He is a recipient of Ph.D. Honoris Causa By Multi-Skills of the United Kingdom and Ph.D. Honoris Causa by Angeles University.

Mr. Lacson serves in other PSE-listed companies: Director of the Philippine Stock Exchange and Independent Director of Global Ferronickel Inc.

He graduated from the Dela Salle College in 1965 with a degree of Bachelor of Science, major in Accounting and an MBA candidate. Mr. Lacson is a Certified Public Accountant.

(9) Jaime Dela Rosa, Filipino, 76 years old, Independent Director

Mr. Dela Rosa has been an Independent Director of the company since 2017.

He graduated from the Far Eastern University in 1964 with a degree of Bachelor of Science, major in Accounting. He completed a program on Global Financial System, Structures, Crises and Reform from the Harvard University – John F. Kennedy School of Government. He is a recipient of an Outstanding Alumnus Award for Government Service. Mr. Dela Rosa is a member of Alabang Country Club, Inc. Free Masonry.

Before joining the company, Mr. Dela Rosa worked as Director of Alcorn Gold Resources Corporation, PNCC-Skyway Corporation of the Philippines and Development Bank of the Philippines. He was the former President of Portman Mining Philippines, Cabaluan Chromite Corp., and Food Terminal, Inc. He also worked as Head of Ayala Investment and Development Corporation and Philsec Investment Corporation for Visayas and Mindanao and Assistant Vice-President for Citibank.

Mr. Dela Rosa is a Certified Public Accountant.

(10) Levi B. Labra, Filipino, 62 years old, Board Consultant

Mr. Labra has been serving the company as Board Consultant since 2017.

He also currently serves as Director of Hope Philippines, Inc. Before joining the company, Mr. Labra worked in Procter & Gamble for 35 years. He was the Sales Head and a member of the management committee of Procter and Gamble for 20 years. He was Regional Sales Manager for three years building sales organization and systems for India, Indonesia, Malaysia, Singapore, South Korea, and Thailand.

He graduated with honor, *cum laude*, from the University of San Carlos in 1978 of a degree of Bachelor of Science, major in Business Administration.

(B) Corporate Officers

Every after the annual stockholders' meeting, the board convenes for an organizational meeting and appoint officers who will assume the positions of President, Treasurer, Corporate Secretary, Compliance Officer, Lead Independent Director, Internal Auditor, and the members of the committee.

For the year 2019, the organizational meeting took place on May 14, 2019. The board renewed the appointment of the following officers, the President, Ferdinand Vincent P. Co, Treasurer, Grace E. Sy, Corporate Secretary, Baby Gerlie Sacro, and Compliance Officer, Atty. Candy H. Dacanay – Datuon, and Internal Auditor, Maria Theresa Lontoc, as corporate officers.

(1) Grace E. Sy, Filipino, 56 years old, Treasurer

Ms. Sy has been the company's treasurer since 2015. She also works as Treasury Manager of the company since 2009. She is a graduate of St. Paul College of Manila with a degree of Bachelor of Science major in Accountancy, 1983.

(2) Baby Gerlie I. Sacro, Filipino, 42 years old, Corporate Secretary

Ms. Sacro has been the Corporate Secretary of the company since 2000. She is a graduate of Polytechnic University of the Philippines with a degree of Bachelor of Science in Entrepreneurial Management. Before joining the company, she worked as a Compensation and Benefits employee at Plaza Fair, Inc.

(3) Atty. Candy H. Dacanay-Datuon, Filipino, 41 years old, Assistant Corporate Secretary and Compliance Officer

Atty. Dacanay has been the Assistant Corporate Secretary and Compliance Officer of the company since 2012.

Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of *cum laude*. She finished Bachelor of Laws from the University of Santo Tomas in 2003 and admitted to the Philippine Bar in 2004.

Atty. Dacanay started her career as Associate Counsel of the company from 2004 to 2011. She became the company's Assistant Corporate Secretary and at the same time Compliance Officer in 2012, and Data Privacy Officer in 2018.

Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Cosco Capital, Inc. (*a listed company*) and Corporate Secretary of Da Vinci Capital Holdings, Inc. (*a listed company*), Kareila Management Corporation (S&R warehouse) and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation.

Atty. Dacanay has recently completed the Harvard Business School Online Certificate Program, "*Sustainable Business Strategy*", in 2020.

(C) Key Officers

(1) Antonio E. Delos Santos, Filipino, 48 years old, Head - National Operation

Mr. Delos Santos has been the company's head of national operation since 2012. He used to be the National Sales Manager of Colgate Palmolive Philippines Inc. from 2005 to 2012. He graduated from the Ateneo De Manila University with a degree of Bachelor of Arts in Economics in 1993.

(2) Ma. Denise D. Carolino, Filipino, 56 years old, Vice-President for Administration

Ms. Carolino is one of the pioneer employees of the company. She is a graduate of the University of Santo Tomas with a degree of Bachelor of Science major in Architecture in 1985. She took credits and will pursue her program in Leadership Management Development Program at the Ateneo De Manila University.

(3) John Marson T. Hao, Filipino, 38 years old, Vice-President for Investor Relations

Mr. Hao joined the company in 2014. He previously worked as Investor Relations Officer of Megaworld Corporation from 2004 to 2014. He is a graduate of the Ateneo De Manila with a degree of Bachelor of Science in Management Engineering minor in Economics.

(4) Andres S. Santos, Filipino, 69 years old, Legal Counsel

Atty. Santos has been the company's Legal Counsel since 2010. Before joining the company, he worked as a practicing lawyer in Jose S. Santos, Jr. & Associates. Atty. Santos graduated with a degree of Bachelor of Arts from the Arellano University in 1974. He took Bachelor of Laws from the University of the East and graduated in 1978. Atty. Santos passed the bar examination in 7th place.

(5) Jenny L. Jacintos, Filipino, 47 years old, Senior Merchandising Manager

Ms. Jacintos has been a Senior Merchandising Manager in the company since 2012. Before this position, she was one of the Group Merchandising Managers of the company from 2004 to 2011.

She graduated from Polytechnic University of the Philippines, with a degree of Bachelor of Science in Business Administration in 1993, and completed a program from the Ateneo Graduate School of Business from 2012 to 2013.

(6) Marie Ivy Chervias, Filipino, 44 years old, Senior Merchandising Manager

Before joining the company in 2013, Ms. Chervias worked as a Key Account Manager in Wyeth, Philippines. She is a graduate of the University of Santo Tomas with a degree of Bachelor of Arts in Communications in 1997.

(7) Connie L. Avila, Filipino, 40 years old, Senior Merchandising Manager

Ms. Avila started her career in the company in 2001 as Merchandising Manager. She is a graduate of the University of Santo Tomas with a degree of Bachelor of Science in Commerce major in Business Administration in 2001.

(8) Ivy Zharisse H. Piedad, Filipino, 37 years old, Senior Merchandising Manager

Ms. Piedad joined the company in 2009 as a Product Development Assistant and later became an Advertising and Communications Manager from 2011 to 2015. She is the Senior Manager for the Marketing of the company since 2015.

Ms. Piedad graduated from Dela Salle University with a degree of Bachelor of Science in Commerce major in Business Management, specializing in Applied Corporate Management in 2004.

(9) Antonitte R. Raymundo, Filipino, 42 years old, Senior Merchandising Manager

Before joining the company, Ms. Raymundo worked as an Assistant System Manager in Super Shopping Market Inc. from 2001 to 2015. She is a graduate of Laguna College with a degree of Bachelor of Science major in Accounting in 1998.

(10) Teodoro A. Polinga, Filipino, 61 years old, Comptroller

Mr. Polinga was the Senior Accounting Manager of the company in 2013 and became Comptroller in 2015.

He was the founding President and Director of MTM Ship Management (Philippines), Inc., 2013 to 2014, and Executive Director and Chief Finance Officer of Alchem Energy Limited from 2010 to 2012.

Mr. Polinga is a Sustaining Life Member of the Philippine Institute of Certified Public Accountants (PICPA), Member/Past Director of the Rotary Club of Makati – Legazpi and Director & Vice President of BF International Homeowners Association.

Mr. Polinga graduated with honors, *magna cum laude*, from the Holy Name University (Formerly Divine Word College of Tagbilaran City) with a degree of Bachelor of Science major in Accounting in 1978 and completed a Management Development Program from the Asian Institute of Management in 1990.

(11) Maricel R. Cambe, Filipino, 46 years old, Senior Finance Manager

Ms. Cambe recently joined the company in 2019. She used to be working as an accountant in Liguigaz Philippines Corporation from 2008 to 2019. She is a graduate of Canossa College, San Pablo City, with a degree of Bachelor of Science major in Accounting.

(12) Kenneth N. Tiu, Filipino, 44 years old, Financial Control Manager

Mr. Tiu has been the company's Financial Control Manager since 2005. He is a graduate of Dela Salle University with a degree of Bachelor of Science in Mathematics major in Actuarial Science in 1995.

(13) Maria Teresa S. Lontoc, Filipino, 51 years old, Internal Control Manager

Before joining the company, Ms. Lontoc worked as Senior Business Consultant in Dairy Farm (Giant GCH) from 2011 to 2013 and as Systems and Audit Manager in SM Pilipinas Makro, Inc. from 2001 to 2011.

She is a graduate of the University of Batangas with a degree of Bachelor of Science in Commerce major in Accounting in 1991.

She had earned her Certificate of Continuing Professional Education from the Association of Certified Fraud Examiners – Philippine Chapter in 2017 specializing in Financial Transactions and Fraud Schemes, Investigations and Techniques, and Fraud Prevention and Deterrence.

(14) Elvira D. Gutierrez, Filipino, 49 years old, Senior Human Resources Manager

Ms. Gutierrez started in the company as Human Resource Manager from 2003 and became Senior Human Resource Manager in 2011.

She attended seminars in Company Policy on Employee Behavior, Discipline and Dismissal in 2019, Businessmen's Strategy in Coping with DO-174 in 2017 and Level Up Leadership, Developing the Self and Leading Others in 2016.

She graduated from the College of the Holy Spirit in 1991 with a degree of Bachelor of Arts in Psychology.

(15) Jun Alfafara, Filipino, 62 years old, Information Technology Manager

Mr. Alfafara joined the company in 2012. Before joining the company, he worked as an IT Consultant to Ever Gotesco Group from 2009 to 2012 and as Vice President for Information and Technology and Logistics from 1999 to 2007 in Rustans Supermarkets and as IT Manager in Unilogix, Inc., a subsidiary of Rustan Coffee, Inc. from 2007 to 2009.

(D) Key officers in subsidiaries

(1) Anthony Sy, Filipino, 59 years old, S&R President

Mr. Sy joined the company in 2006. Before joining the company, Mr. Sy worked as President of Visual Merchandising Center from 1986 to 2006. He graduated from the

Ateneo De Manila University with a degree of Bachelor of Science in Management Engineering in 1982.

(2) Gisela R. Altura, Filipino, 50 years old, S&R Comptroller

Ms. Ging joined Kareila Management Corporation in 2007. She graduated with honor, *cum laude*, from the Polytechnic University of the Philippines with a degree of Bachelor Science major in Accountancy in 1990. Ms. Altura is a Certified Public Accountant.

(3) Joseph U. Sy, Filipino, 57 years old, Ayagold Operations Manager

Mr. Sy is one of the pioneer employees in the company. He was the first store manager in the first branch of the company in Mandaluyong City. Because of his long retail experience, Mr. Sy manages the big stores of Puregold in Metro Manila, and he is also heading the operation of two branches of 'Merkado,' a joint venture project with Ayala Land, Inc.

He graduated from the Philippine School of Business Administration major in Accountancy in 1983. Mr. Sy is a Certified Public Accountant.

(E) Significant Employees

There is no person in the company who is not an executive or key officer but who is expected to make a significant contribution to the operation of the business. The business of the company is not highly dependent on the services of certain key personnel.

(F) Family Relationships

1. Mr. Lucio L. Co and Mrs. Susan P. Co are husband and wife.
2. Mr. Ferdinand Vincent P. Co and Ms. Pamela Justine P. Co are children of Mr. and Mrs. Co.

(G) Involvement in Certain Legal Proceedings

As of December 31, 2019, and the past five years, the company has no director, executive officer or principal officer who is involved in the following:

- (1) Bankruptcy case.
- (2) Convicted by final judgment of any criminal proceeding, domestic or foreign.
- (3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.
- (4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or

other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 10. EXECUTIVE COMPENSATION

The company pays a fixed monthly compensation to its employees. The members of the board receive per diem allowances of P50,000.00 per attendance in board meetings and P20,000 per attendance in committee meetings.

The total annual compensation of the President and the four most highly compensated officers amounted to P15,870,417.00 in 2018 and P15,435,833.00 in 2019 and their projected full yearly salary for the year 2020 is P15,849,416.00, please see table below:

(A) Summary Compensation Table

Name and Position	Year	Salary	Bonus	Other Annual Compensation
(1) Lucio L. Co				
(2) Susan P. Co				
(3) Ferdinand Vincent P. Co				
(4) Antonio E. Delos Santos				
(5) Maricel R. Cambe				
Aggregate compensation of the President and the four most highly compensated officers	2017	P15,855,129.00	-	-
	2018	P15,870,417.00	-	-
	2019	P15,435,833.00	-	-
	2020 projected	P15,849,416.00	-	-
Aggregate compensation paid to all other officers and managers	2017	P105,887,063.00	-	-
	2018	P122,246,637.00	-	-
	2019	P133,628,837.00	-	-
	2020 projected	P144,199,144.00	-	-

(B) Standard Arrangements

The company has no standard arrangements according to which the directors are compensated, directly or indirectly, for any services provided as a director except for per diem allowances.

(C) Other Arrangements

The company has no other arrangements according to which the directors are compensated, directly or indirectly, for any services provided as a director except for per diem allowances.

(D) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

All employees, including executive and principal officers, have employment contracts with the company, which are following the existing labor laws of the country. The company has a retirement plan for its employees that is also in concordance with current labor laws.

(E) Warrants and Options

None.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A. Security ownership of more than 5% of the stock of the company as of March 31, 2020:

Title of Class	Name, Address of record owner	Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	Percent
Common	Cosco Capital, Inc. No. 900 Romualdez St., Paco, Manila	Stockholder/ Parent Company	Parent Company	Filipino	1,410,867,188	48.91%
Common	Lucio L. Co, No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Chairman	Record owner himself	Filipino	211,088,022	7.32%
Common	Susan P. Co No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Vice-Chairman	Record owner herself	Filipino	178,242,585	6.18%
Common	PCD Nominee Corp. (Non-Filipino)	Stockholder/ Not related	Acting for various clients	Non-Filipino	661,626,263	22.94%
Common	PCD Nominee Corp. (Filipino)	Stockholder/ Not related	Acting for various clients	Filipino	344,486,619	11.94%

B. Security Ownership of Directors and Executive Officers of the company as of March 31, 2020:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Lucio L. Co Chairman	Direct	Filipino	211,088,022	7.32%

Common	Susan P. Co Vice-Chairman	Direct	Filipino	178,242,585	6.18%
Common	Ferdinand Vincent P. Co President	Direct	Filipino	26,709,460	0.93%
Common	Leonardo B. Dayao Executive Director	Direct	Filipino	739,925	0.03%
Common	Pamela Justine P. Co Executive Director	Direct	Filipino	26,709,460	0.93%
Common	Jack Huang Non-Executive Director	Direct	Filipino	5,000	0.00%
Common	Edgardo G. Lacson Independent Director	Direct	Filipino	1	0.00%
Common	Marilyn V. Pardo Independent Director	Direct	Filipino	1	0.00%
Common	Jaime Dela Rosa Independent Director	Direct	Filipino	1	0.00%

Mr. and Mrs. Lucio and Susan Co do not have any voting trust agreement for their ownership of more than 5% of the stock of the company.

There has been no change in control of the company in the last fiscal period.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For discussion of related party transactions, please to the 2019 Consolidated Audited Financial Statements hereto attached as Annex "A."

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

(a) The company has a Revised Manual on Corporate Governance approved by the board in May 2017. The company aims to improve such a manual to reflect more detailed policies of the company related to corporate governance, including adopting an evaluation system.

(b) The company has three independent directors, one of them is a female, to ensure that the management has independent views and is abreast of the practices of other companies in keeping good corporate governance.

(c) There has been no report of violation of Revised Manual on Corporate Governance since the board adopted it.

(d) The company conducts annual corporate governance training for all its directors and officers.

Year	Date	Time	Venue	Seminar Provider
2015	June 22	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	Center for Training and Development
2016	March 4	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	Center for Training and Development
2017	February 28	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company
2018	February 23	1:00-5:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company
2019	May 14	1:00-5:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company

The company's directors act on a fully informed basis, with due diligence and care required from them by law and taking into consideration all the stakeholders. The board regularly approves company objectives and plans and monitors its implementation. The board is headed by a competent and qualified Chairman who has more than 40 years of experience in retail operations. The board meets at least six times a year and schedules the meetings before the start of the financial year. In 2019, the board held meetings on February 1, March 29, May 3, May 14, August 2, and November 8.

The company has no agreement with shareholders, arrangements, or any bylaw provisions that constrain or may limit the director's ability to vote or express his views independently.

The company adheres to the nine cumulative years fixed term for directors and has not requested the stockholders for any exemption thereof.

Directors do not participate in the discussion fixing his/her remuneration.

(e) Committee Membership

The company has three board committees, Executive Committee, Corporate Governance Committee, and the Audit Committee. The board appointed their members during its organizational meeting on May 14, 2019:

Executive Committee	Corporate Governance Committee	Audit Committee
Lucio L. Co Chairman	Marilyn V. Pardo (ID) Chairman	Edgardo G. Lacson (ID) Chairman/Lead ID
Susan P. Co	Jaime Dela Rosa (ID)	Jaime Dela Rosa (ID)
Ferdinand Vincent P. Co	Lucio L. Co (Executive)	Marilyn V. Pardo (ID)
Pamela Justine P. Co	Leonardo B. Dayao (Executive)	Susan P. Co (Executive)
Leonardo B. Dayao		Leonardo B. Dayao (Executive)

The internal and external auditors are reporting directly to the Audit Committee. The external auditor reports to the committee annually, and the internal auditor reports to the committee quarterly.

In 2019, the Audit Committee convened four meetings held on March 26, July 29, November 4, and December 2.

PART V - EXHIBITS AND SCHEDULES

A. Annexes

Annex "A"	Consolidated Audited Financial Statement 2019
Annex "B"	Supplementary Schedules
Annex "C"	Sustainability Report

B. Reports on SEC Form 17-C

Date of Report: January 17, 2019	Result of top-up placement of 104 million shares at P45.00 per share or a total of almost P4.7 billion.
Date Filed: January 17, 2010	
Date of Report: January 18, 2019	Company reply to PSE inquiry re top-up placement
Date Filed: January 21, 2019	
Date of Report: February 4, 2019	Result of board meeting dated February 1, 2019: Additional listing of shares, details of annual stockholders' meeting, and declaration of cash dividends.
Date Filed: February 4, 2019	
Date of Report: February 20, 2019	Result of board meeting dated February 20, 2019: Increase of capital stock from P3 billion to P5billion
Date Filed: February 21, 2019	
Date of Report: March 6, 2019	Changes in the number of issued and outstanding shares
Date Filed: March 7, 2019	
Date of Report: April 1, 2019	Result of board meeting dated March 29, 2019: Approval of Consolidated Audited Financial Statement, the nomination of candidates for directorship, independent directors, and renewal of external auditors.
Date Filed: April 1, 2019	
Date of Report: April 3, 2019	Notice of Investor Briefing Full Year 2018 Result
Date Filed: April 5, 2019	
Date of Report: April 11, 2019	Press Release Entitled Puregold net income grew 11.6% to P 6.52 billion in 2018
Date Filed: April 15, 2019	
Date of Report: April 15, 2019	Company Presentation for Investor Briefing Full Year 2018 Result
Date Filed: April 15, 2019	
Date of Report: April 22, 2019	List of Stockholders of the Company as of record date April 16, 2019, in preparation for its Annual Stockholders' Meeting to be held on May 14, 2019, 9:00 AM at the Acacia Hotel, Alabang, Muntinlupa City.
Date Filed: April 22, 2019	

Date of Report: April 29, 2019	Notice of investor Briefing 1 st Quarter 2019 Result
Date Filed: April 29, 2019	
Date Report: May 6, 2019	Result of Board Meeting dated May 3, 2019: Consolidated Financial Statements for Q1 – 2019 and Amendment of Articles and Bylaws.
Date Filed: May 6, 2019	
Date of Report: May 10, 2019	Company Presentation for Investor Briefing - 1 st Quarter 2019 Result.
Date Filed: May 10, 2019	
Date of Report: May 15, 2019	Result of Annual Stockholders Meeting, Organizational Meeting, and Board Meeting dated May 14, 2019.
Date Filed: May 16, 2019	
Date of Report: May 17, 2019	Certificate of Attendance of Directors and Officers to Corporate Governance Seminar
Date Filed: May 20, 2019	
Date of Report: August 5, 2019	Result of Board Meeting dated August 2, 2019:
Date Filed: August 5, 2019	
Date of Report: August 13, 2019	Press Release Entitled “Puregold core net income grew 8.4% to P2.83 billion in 1H 2019
Date Filed: August 14, 2019	
Date of Report: October 28, 2019	Material Related Party Transaction Policy
Date Filed: October 28, 2019	
Date of Report: October 30, 2019	Notice of Investor Briefing 3 rd Quarter 2019 Result
Date Filed: November 4, 2019	
Date of Report: November 8, 2019	Result of Board Meeting dated November 7, 2019: Consolidated Financial Performance for 3Q 2019
Date Filed: November 8, 2019	
Date of Report: November 13, 2019	Press Release Entitled “Puregold core net income grew 12.1% to P4.55 billion in 9M 2019. Company Presentation for Investor Briefing Teleconference 3 rd Quarter 2019 Result
Date Filed: November 14, 2019	
Date of Report: December 10, 2019	Result of Board Meeting dated December 10, 2019: Audit Plan, Buyback program renewal, the authority of company signatories, and cash dividend declaration.
Date Filed: December 11, 2019	

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila on June ____, 2020.

JUN 29 2020

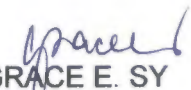
By:

PUREGOLD PRICE CLUB, INC.

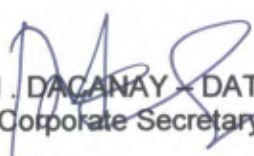

LUCIO L. CO
Chairman


FERDINAND VINCENT P. CO
President


MARICEL R. CAMBE
Senior Finance Manager


GRACE E. SY
Treasurer


BABY GERLIE I. SACRO
Corporate Secretary


CANDY H. DACANAY - DATUON
Assistant Corporate Secretary/Compliance Officer

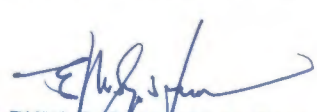
JUN 29 2020

SUBSCRIBED AND SWORN to before me this ____ day of June 2020 in the City of Manila, Philippines. Affiants exhibited to me competent proof of their respective identities.

LUCIO L. CO
FERDINAND VINCENT P. CO
MARICEL CAMBE
GRACE E. SY
BABY GERLIE I. SACRO
CANDY H. DACANAY - DATUON

TIN ID No. 108-975-971
TIN ID No. 208-381-185
TIN ID No. 184-996-223
TIN ID No. 101-306-940
TIN ID No. 201-538-302
TIN ID No. 233-200-394

Doc. No. 115
Page No. 24
Book No. XVIII
Series of 2020.


EMMA RHEAB SADURAL-CAPISTRANO
Notary Public for the City of Manila
Commission No. 2019-100 until December 31, 2020
Roll No. 55724
IBP Lifetime Member No. 07476
PTR No. 9123815 / 01-03-2020 / Mla
MCLE No. VI-0022489 / 04-16-19
No. 900 Romualdez St., Paco, Manila

**PUREGOLD PRICE CLUB, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019, 2018 and 2017**

With Independent Auditors' Report

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **Puregold Price Club, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

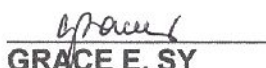
The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R. G. Manabat & Co., the independent auditor appointed by the Board of Directors, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.


LUCIO L. CO
Chairman


FERDINAND VINCENT P. CO
President


GRACE E. SY
Treasurer

MAY 26 2020

Signed this ____ day of ____, 2020

MAY 26 2020

SUBSCRIBED AND SWORN to before me this day of ____ 2020, affiants exhibiting to me their respective Tax Identification Number, as follows:

Name	TIN
LUCIO L. CO	108-975-971
FERDINAND VINCENT P. CO	208-381-185
GRACE E. SY	101-306-940

Doc. No. 83
Page No. 17
Book No. ✓
Series of 2020


ATTY. PEDRO D. GENATO
Notary Public Until Dec 31 2021
Notarial Commission 2020 - 044 Mla
1150 Gen. Luna St., Ermita, Manila
IBP# 092833 Pasig - 10-7-2019
PTR# Mla 9112244 - 1-2-2020
Roll# 12038, TIN# 132-436-687
MCLE Compl. No. VI-0021170 until 4-10-2022



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the consolidated financial statements of Puregold Price Club, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Goodwill and Other Intangibles with Indefinite Lives Refer to Note 12 to the consolidated financial statements.

The risk

The Group acquired through business combinations goodwill and other intangibles with indefinite lives totaling P19.5 billion. The Group tests for impairment annually by comparing the recoverable amounts to the carrying amounts.

We considered this as a key audit matter because assessment process is complex, involves significant management judgements and is based on key assumptions on expected future market and economic conditions, revenue growth, margin developments, discount rates and (terminal) growth rates from management.

Our response

We performed the following audit procedures, among others, around impairment testing of goodwill and other intangibles with indefinite lives:

- We obtained the Group's discounted cash flow model that tests the carrying value of goodwill.
- We evaluated the reasonableness of key assumptions used by management in deriving the recoverable amount. These procedures included using our own internal valuation specialist to evaluate the key inputs and assumptions for growth and discount rates.
- We reviewed the cash flows used, with comparison to recent performance, trend analysis and market expectations, and by reference to prior year's forecast, where relevant, and assessing whether the Group has achieved them.
- We evaluated the adequacy of the disclosures in respect of impairment of goodwill and other intangibles with indefinite lives in the consolidated financial statements.

Revenue Recognition (P157.1 billion) Refer to Note 17 to the consolidated financial statements.

The risk

Revenue is not complex but it is an important measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.

Our response

We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specialists to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- We tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as generated sales summary reports from the point-of-sale (POS) system, as reconciled with the cash receipts, to assess whether these transactions are recorded in the correct reporting period.
- We vouched, on a sample basis, sales transactions to supporting documentation such as sales invoices, delivery documents and value-added-tax returns, as applicable, to ascertain that the revenue recognition criteria are met.
- We tested, on a sample basis, journal entries posted to revenue accounts to identify unusual or irregular items.

Adoption of PFRS 16, Leases

Refer to Notes 11, 19 and 30 to the consolidated financial statements.

The risk

The Group recognized right-of-use assets and lease liabilities as part of its adoption of PFRS 16, *Leases*, which became effective for annual reporting periods beginning on or after January 1, 2019. The Group applied the full retrospective approach. The application of this new standard as disclosed in Note 30 resulted in an increase in total consolidated assets of P22.5 billion, an increase in total consolidated liabilities of 24.1 billion and a corresponding adjustment to total consolidated equity of P1.6 billion as at the date of initial application. We considered this to be a key audit matter because of the magnitude of the amounts involved, and the significance of management's judgment required in making estimates such as the determination of discount rates (incremental borrowing rates) and lease terms.

Our response

We performed the following audit procedures, among others, on the adoption of PFRS 16:

- We tested the completeness and accuracy of contractual lease agreements included in the lease contract database and the calculation used in recognizing the impact of PFRS 16.
- We evaluated whether the accounting policies applied are in accordance with the requirements of PFRS 16.

- We agreed key inputs to supporting documentation such as lease agreements on a sample basis. Also, we tested on a sample basis the movements during the year.
- We also recalculated the right-of-use asset and lease liability for each material type lease contract. We evaluated management assumptions, specifically on the determination of discount rates and assessment of renewal options. In evaluating the discount rates used, we reviewed observable data from reliable source with respect to reference rates used and tested whether entity- and lease-specific adjustments were appropriately made. We confirmed the existence of underlying facts and circumstances that create economic incentives as basis on whether there is reasonable certainty to exercise renewal options or not to exercise termination options.
- We evaluated the adequacy of the disclosures in the consolidated financial statements based on the requirements of PFRS 16.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Dindo Marco M. Dioso.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 1387-AR-1, Group A, valid until May 31, 2020

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8116763

Issued January 2, 2020 at Makati City

May 22, 2020

Makati City, Metro Manila

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

			Restated, Notes 3 and 30	
	Note	December 31, 2019	December 31, 2018	January 1, 2018
ASSETS				
Current Assets				
Cash and cash equivalents	4	P17,083,459,430	P10,687,359,234	P8,065,646,234
Receivables - net	5	2,675,551,867	4,789,798,078	4,569,341,716
Merchandise inventories	6	19,526,196,704	19,731,823,439	17,696,641,161
Financial assets at fair value through profit or loss	7	34,920,601	36,502,592	46,887,876
Prepaid expenses and other current assets	8, 30	720,226,148	820,446,599	621,284,939
Total Current Assets		40,040,354,750	36,065,929,942	30,999,801,926
Noncurrent Assets				
Investments in associate and joint venture	9	622,981,277	603,174,554	793,736,941
Property and equipment - net	10	21,161,690,865	19,489,073,780	17,696,372,319
Intangibles and goodwill	12	19,730,635,701	19,736,251,070	19,737,396,241
Right-of-use assets - net	11, 19, 30	23,824,682,048	22,270,446,687	20,429,655,652
Deferred tax assets - net	25	849,739,274	366,438,989	213,870,461
Other noncurrent assets	13, 19	2,404,713,843	2,318,539,548	1,958,606,157
Total Noncurrent Assets		68,594,443,008	64,783,924,628	60,829,637,771
		P108,634,797,758	P100,849,854,570	P91,829,439,697
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	14, 23, 26	P13,079,847,582	P11,676,505,995	P11,612,957,865
Income tax payable		937,278,214	794,495,479	877,509,034
Short-term loans	15	501,570,353	4,756,300,000	4,112,500,000
Long-term loan due within one year	15	-	-	2,399,204,654
Lease liabilities due within one year	19, 30	490,191,528	640,847,317	586,388,958
Due to related parties	23	47,117,438	43,474,532	37,065,831
Other current liabilities	16	434,803,665	335,626,062	421,532,913
Total Current Liabilities		15,490,808,780	18,247,249,385	20,047,159,255
Noncurrent Liabilities				
Long-term loans	15	400,000,000	1,840,000,000	-
Lease liabilities	19, 30	29,925,553,649	27,272,287,802	24,588,213,509
Retirement benefits liability	24	919,085,396	478,495,654	538,173,177
Total Noncurrent Liabilities		31,244,639,045	29,590,783,456	25,126,386,686
Total Liabilities		46,735,447,825	47,838,032,841	45,173,545,941
Equity				
Capital stock	26	2,904,214,086	2,799,914,086	2,785,362,877
Additional paid-in capital		25,361,670,581	20,830,391,081	20,830,391,081
Retirement benefits reserve		54,467,541	273,741,007	117,313,327
Treasury stock		(71,253,489)	(71,253,489)	(56,702,280)
Retained earnings		33,650,251,214	29,179,029,044	22,979,528,751
Total Equity		61,899,349,933	53,011,821,729	46,655,893,756
		P108,634,797,758	P100,849,854,570	P91,829,439,697

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31				
			Restated, Notes 3 and 30	
	Note	2019	2018	2017
NET SALES	17	P154,490,309,082	P141,139,261,418	P124,703,432,674
COST OF SALES	6, 18	128,539,759,134	117,210,684,020	103,015,148,714
GROSS INCOME		25,950,549,948	23,928,577,398	21,688,283,960
OTHER REVENUE	17, 19, 20	3,262,853,438	2,941,091,069	2,692,247,628
TOTAL GROSS INCOME AND OTHER REVENUE		29,213,403,386	26,869,668,467	24,380,531,588
OPERATING EXPENSES	21	17,829,772,403	16,638,893,497	14,611,064,430
INCOME FROM OPERATIONS		11,383,630,983	10,230,774,970	9,769,467,158
OTHER CHARGES				
Interest expense	15, 19	2,068,485,175	1,944,458,168	1,721,932,950
Interest income	4	(214,862,246)	(37,409,809)	(21,658,740)
Share in losses (income)				
of associate and joint ventures	9	(19,806,723)	(14,127,350)	138,034,506
Others - net	22	(30,006,151)	(364,830,882)	7,123,095
		1,803,810,055	1,528,090,127	1,845,431,811
INCOME BEFORE INCOME TAX		9,579,820,928	8,702,684,843	7,924,035,347
PROVISION FOR INCOME TAX				
Current		3,119,379,310	2,803,076,753	2,667,791,823
Deferred	30	(312,346,160)	(299,892,203)	(237,878,414)
	25	2,807,033,150	2,503,184,550	2,429,913,409
NET INCOME		6,772,787,778	6,199,500,293	5,494,121,938
OTHER COMPREHENSIVE INCOME				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of retirement benefits	24	(313,046,794)	223,258,703	78,103,072
Tax effect		93,773,328	(66,831,023)	(23,314,023)
		(219,273,466)	156,427,680	54,789,049
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P6,553,514,312	P6,355,927,973	P5,548,910,987
Basic and diluted earnings per share	28	P2.37	P2.24	P1.99

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

	<i>Note</i>	Capital Stock	Additional Paid-in Capital	Retirement Benefits Reserve	Treasury Stock	Retained Earnings	Total Equity
Balance at January 1, 2017		P2,785,362,877	P20,830,391,081	P62,524,278	(P56,702,280)	P19,551,431,915	P43,173,007,871
Effect of adoption of PFRS 16	30	-	-	-	-	(959,872,540)	(959,872,540)
Balance at January 1, 2017, as restated		2,785,362,877	20,830,391,081	62,524,278	(56,702,280)	18,591,559,375	42,213,135,331
Restated total comprehensive income for the year							
Restated net income for the year		-	-	-	-	5,494,121,938	5,494,121,938
Other comprehensive income		-	-	54,789,049	-	-	54,789,049
		-	-	54,789,049	-	5,494,121,938	5,548,910,987
Transactions with owners of the Parent Company							
Cash dividends	26	-	-	-	-	(1,106,152,562)	(1,106,152,562)
Balance at December 31, 2017, as restated		2,785,362,877	20,830,391,081	117,313,327	(56,702,280)	22,979,528,751	46,655,893,756
Restated total comprehensive income for the year							
Restated net income for the year		-	-	-	-	6,199,500,293	6,199,500,293
Other comprehensive income		-	-	156,427,680	-	-	156,427,680
		-	-	156,427,680	-	6,199,500,293	6,355,927,973
Transactions with owners of the Parent Company							
Impact of merger	26	14,551,209	-	-	(14,551,209)	-	-
Balance at December 31, 2018, as restated		2,799,914,086	20,830,391,081	273,741,007	(71,253,489)	29,179,029,044	53,011,821,729
Total comprehensive income for the year							
Net income for the year		-	-	-	-	6,772,787,778	6,772,787,778
Other comprehensive income		-	-	(219,273,466)	-	-	(219,273,466)
		-	-	(219,273,466)	-	6,772,787,778	6,553,514,312
Transactions with owners of the Parent Company	26						
Issuance of common shares		104,300,000	4,531,279,500	-	-	-	4,635,579,500
Cash dividends		-	-	-	-	(2,301,565,608)	(2,301,565,608)
		104,300,000	4,531,279,500	-	-	(2,301,565,608)	2,334,013,892
Balance at December 31, 2019		P2,904,214,086	P25,361,670,581	P54,467,541	(P71,253,489)	P33,650,251,214	P61,899,349,933

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

			Restated, Notes 3 and 30	
	<i>Note</i>	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P9,579,820,928	P8,702,684,843	P7,924,035,347
Adjustments for:				
Depreciation and amortization	10, 11, 12, 19, 21	3,780,806,466	3,483,316,768	2,961,650,092
Interest expense	15, 19	2,068,485,175	1,944,458,168	1,721,932,950
Interest income	4	(214,862,246)	(37,409,809)	(21,658,740)
Retirement benefits cost	21, 24	131,495,043	163,606,897	147,018,254
Gain from lease terminations	19	(42,460,046)	(37,850,190)	(15,173,879)
Share in losses (income) of associate and joint ventures	9	(19,806,723)	(14,127,350)	138,034,506
Loss (gain) on insurance claim	22	(3,503,436)	(3,351,032)	14,855,363
Unrealized loss (gain) on financial assets at FVPL	7, 22	1,581,991	10,385,284	(11,778,850)
Dividend income	22	(724,358)	(679,505)	(1,856,196)
Gain on sale of investment in joint venture	9, 22	-	(362,810,262)	-
Gain from disposal of property and equipment	22	-	(154,310)	-
Operating income before changes in working capital		15,280,832,794	13,848,069,502	12,857,058,847
Decrease (increase) in:				
Receivables		2,114,246,211	(220,456,362)	(688,485,925)
Merchandise inventories		205,626,735	(2,035,182,278)	(1,208,816,853)
Prepaid expenses and other current assets		(343,019,559)	(224,312,271)	(530,672,474)
Increase (decrease) in:				
Trade and other payables		265,617,205	1,171,498,022	1,690,361,697
Due to related parties		3,642,906	6,408,701	3,289,208
Other current liabilities		99,177,603	(85,906,851)	17,668,572
Cash generated from operations		17,626,123,895	12,460,118,463	12,140,403,072
Income taxes paid		(2,764,172,458)	(2,882,804,170)	(2,414,332,517)
Interest received		214,862,246	37,409,809	21,658,740
Retirement benefits paid	24	(3,926,378)	-	-
Net cash provided by operating activities		15,072,887,305	9,614,724,102	9,747,729,295
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	10	(3,776,100,027)	(3,578,313,857)	(3,512,226,121)
Investment in associate and joint venture	9	-	(32,500,000)	(140,000,000)
Proceeds from (payment to):				
Disposal of property and equipment		126,111,988	10,995,096	6,638,394
Insurance claim (loss)	22	3,503,436	3,351,032	(14,855,363)
Sale of investment in joint venture	9	-	600,000,000	-
Increase in:				
Other noncurrent assets		(86,174,295)	(359,933,391)	(161,263,467)
Intangibles	12	(40,972,316)	(39,660,637)	(216,129,017)
Dividends received		724,358	679,505	1,856,196
Net cash used in investing activities		(3,772,906,856)	(3,395,382,252)	(4,035,979,378)

Forward

Years Ended December 31

			Restated, Note 3 and 30	
	Note	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common shares	26	P4,635,579,500	P -	P -
Repayments of:				
Short-term loans	15	(4,256,300,000)	(1,415,000,000)	(2,320,000,000)
Long-term loans	15	(1,438,429,647)	(560,000,000)	(120,000,000)
Repayments of lease:	19			
Principal amount		(604,042,816)	(549,746,573)	(410,979,776)
Interest expense		(1,968,625,600)	(1,769,861,632)	(1,592,235,950)
Payments of:				
Cash dividends	26	(1,153,693,046)	(1,106,152,562)	(829,614,422)
Interest expense		(118,368,644)	(255,668,083)	(204,156,920)
Availments of:				
Short-term loans	15	-	1,658,800,000	1,415,000,000
Long-term loans	15	-	400,000,000	-
Net cash used in financing activities		(4,903,880,253)	(3,597,628,850)	(4,061,987,068)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,396,100,196	2,621,713,000	1,649,762,849
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,687,359,234	8,065,646,234	6,415,883,385
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P17,083,459,430	P10,687,359,234	P8,065,646,234

See Notes to the Consolidated Financial Statements

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

1. Reporting Entity

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

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

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

	Percentage of Ownership	
	2019	2018
Kareila Management Corporation	100	100
S&R Pizza (Harbor Point), Inc.	100	100
S&R Pizza, Inc.	100	100
PPCI Subic, Inc. (PSI)	100	100
Entenso Equities Incorporated (Entenso)	100	100
Goldtempo Company Incorporated (Goldtempo) ^(b)	-	-
Daily Commodities, Inc. (DCI) ^(b)	-	-
First Lane Super Traders Co., Inc. (FLSTCI) ^(b)	-	-
Purepadala, Inc. (Purepadala) ^(a)	100	100

(a) Newly incorporated and has not started operations yet

(b) Merged into the Parent Company in 2018

All subsidiaries are engaged in the same business as the Parent Company, except for Entenso and Purepadala.

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

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

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on May 18, 2020.

Historical cost is used as the measurement basis except for:

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

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 Term and Discount Rate of Lease Arrangements (Notes 19 and 30)

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

Rent income recognized in profit or loss amounted to P463.9 million, P407.2 million and P388.7 million in 2019, 2018 and 2017, 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 Vendor Allowances (Notes 3 and 18)

When vendor allowances cannot specifically be identified in the purchase price of products, the Group must estimate the allowances that are earned based on the fulfillment of its related obligations. These estimates may require management to estimate the volume of purchases that will be made during a period of time.

Estimating Allowance for Impairment Losses on Receivables (Note 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 P2.7 billion and P4.7 billion as at December 31, 2019 and 2018.

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 P19.5 billion and P19.7 billion as at December 31, 2019 and 2018.

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 December 31, 2019 and 2018.

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 December 31, 2019 and 2018.

As at December 31, 2019 and 2018, the following are the carrying amounts of nonfinancial assets:

	Note	2019	2018
Right-of-use assets - net	11, 19	P23,824,682,048	P22,270,446,687
Property and equipment - net	10	21,161,690,865	19,489,073,780
Investments in joint venture and associate	9	622,981,277	603,174,554
Computer software and licenses, and leasehold rights	12	229,098,852	234,714,221

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 December 31, 2019 and 2018, the Group recognized deferred tax assets amounting to P849.74 million and P366.44 million.

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 P919.09 million and P478.50 million as at December 31, 2019 and 2018, respectively.

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards, and Interpretations

The Group adopted the following relevant new standards, amendments to standards and interpretations starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- PFRS 16, *Leases*

The Group applied PFRS 16 with a date of initial application of January 1, 2019. As a result, the Group changed its accounting policies for lease contracts as detailed below.

The Group applied PFRS 16 using the retrospective approach. The adoption of PFRS 16 has resulted in restatements of the Group's 2018 and 2017 comparative amounts; see Note 30 for more information.

- Previously held interest in a joint operation (Amendments to IFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements*)

The amendments to PFRS 3 and PFRS 11 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 3 apply prospectively for annual periods beginning on or after January 1, 2019. These amendments have no impact on the consolidated financial statements.

- Borrowing costs eligible for capitalization (Amendments to PAS 23, *Borrowing Costs*). The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool. These amendments have no impact on the consolidated financial statements.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*)

The amendments to PAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: (i) calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change; (ii) recognize any reduction in a surplus immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement; and (iii) separately recognize any changes in the asset ceiling through other comprehensive income. These amendments have no impact on the consolidated financial statements.

- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28, *Investments in Associates and Joint Ventures*)

The amendments to PAS 28 were made to clarify that PFRS 9, “Financial Instruments,” applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These amendments have no impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Tax Treatments*

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, while also aiming to enhance transparency. IFRIC 23 became effective on January 1, 2019. The interpretation does not have an impact on the consolidated financial statements.

New Accounting Policies Not Yet Effective for 2019

A number of standards, or revisions to standards, that are not yet effective for 2019, but will become effective in coming years.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*)

The amendments to PAS 1 and PAS 8 clarify the definition of material and how it should be applied by stating that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments to PAS 1 and PAS 8 apply prospectively for annual periods beginning on or after January 1, 2020. The Group does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*)

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term “outputs” is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments to PFRS 3 apply prospectively for annual periods beginning on or after January 1, 2020. The Group anticipates that the amendments could result in more acquisitions being accounted for as asset acquisitions.

Consolidation

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

Business Combinations

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

Statement of Cash Flows

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

Segment Reporting

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

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

Financial Instruments

Financial Assets

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

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

After initial recognition, the Group classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive (FVOCI) income 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.

Trade and other 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 December 31, 2019 and 2018.

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

The Group's investments in equity securities traded in the PSE is 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, short-term loans, 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.

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

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

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

	Number of Years
Building	15 - 30
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 and amortization method are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

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

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

Investments 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.

Investments in joint arrangements are 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, investments in associates and joint ventures are 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

Separately acquired intangible assets are carried at cost less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are recognized at fair value at the date of acquisition. Trademarks and customer relationships acquired in business acquisitions are stated at acquisition date fair value determined using an income approach.

Trademarks and other intangible asset with indefinite lives are assessed for impairment annually, or whenever there is an indication that the asset may be impaired.

Impairment of Non-current Assets Other than Goodwill

The Group assesses whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes. The carrying value of the store includes mainly its property, plant and equipment and right-of-use assets (if held under a lease arrangement). The recoverable amount is the higher of an asset's fair value less costs of disposal or the asset's value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

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

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

Other Comprehensive Income

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

Revenue Recognition

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

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

Contract Balances

Receivables

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

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

Contract Liabilities

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

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

Cost and Expense Recognition

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

Vendor Rebates and Allowances

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

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

Operating Expenses

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

Leases

The Group has applied PFRS 16 using the retrospective approach.

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.

The Group has applied this approach to contracts entered into or changed on or after January 1, 2019. The Group's approach to other contracts is explained in Note 3.

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.

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 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 "Accounts payable and accrued expenses" 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>	2019	2018
Cash on hand		P1,373,834,685	P1,176,262,735
Cash in banks	29	5,280,614,006	2,327,340,011
Money market placements	29	10,429,010,739	7,183,756,488
	29	P17,083,459,430	P10,687,359,234

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 an annual interest rates ranging from 2.6% to 5.8% in 2019, 0.6% to 5.8% in 2018, and 0.30% to 2.00% in 2017.

Interest income earned from cash in banks and money market placements totaled P214.9 million, P37.4 million, and P21.7 million in 2019, 2018 and 2017, respectively.

5. Receivables

This account consists of:

	<i>Note</i>	2019	2018
Trade receivables	23	P2,168,828,499	P3,383,202,926
Nontrade receivables	23	514,185,695	1,414,057,479
		2,683,014,194	4,797,260,405
Less allowance for impairment losses on trade receivables		7,462,327	7,462,327
	29	P2,675,551,867	P4,789,798,078

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

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

6. Merchandise Inventories

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

The Group's merchandise inventories at cost as at December 31, 2019 and 2018 amounted to P19.5 billion and P19.7 billion.

Inventory charged to the cost of sales amounted to P128.5 billion, P117 billion and P103 billion in 2019, 2018 and 2017, respectively (see Note 18).

7. Financial Assets at Fair Value through Profit or Loss

This account represents the Group's investments in equity securities traded in the PSE. The fair values of these securities are based on their closing market prices as at the reporting dates.

The movements in these securities are as follows:

	Note	2019	2018
Cost		P15,355,998	P15,355,998
Valuation Adjustments			
Balance at beginning of year		21,146,594	31,531,878
Unrealized valuation loss for the year	22	(1,581,991)	(10,385,284)
Balance at end of year		19,564,603	21,146,594
	29	P34,920,601	P36,502,592

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018 (Restated)
Prepaid expenses	P375,442,671	P462,990,949
Input VAT	340,979,850	177,157,046
Deferred input VAT	3,803,627	180,298,604
	P720,226,148	P820,446,599

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

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

The details of prepaid expenses are as follows:

	2019	2018 (Restated)
Insurance	P115,612,404	P92,809,095
Taxes and licenses	111,921,997	235,665,656
Advertising and promotion	79,304,978	88,984,008
Supplies	36,554,953	25,692,015
Repairs and maintenance	9,050,863	6,046,013
Others	22,997,476	13,794,162
	P375,442,671	P462,990,949

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

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

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

9. Investments in Associate and Joint Venture

The details of investments are as follows:

	2019	2018
Associate	P447,585,544	P433,542,656
Joint venture	175,395,733	169,631,898
	P622,981,277	P603,174,554

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:

	2019	2018
Balance at beginning of the year	P433,542,656	P433,542,656
Share in net income	14,042,888	6,673,814*
Balance at end of year	P447,585,544	P440,216,470

*Unrecognized share in net income

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.

	2019	2018
Percentage of ownership	49.34%	49.34%
Current assets	P4,816,374,206	P3,955,182,333
Noncurrent assets	239,124,495	221,748,333
Current liabilities	(4,687,331,252)	(3,825,817,091)
Noncurrent liabilities	(20,523,736)	(18,405,154)
Net assets	347,643,713	332,708,421
Group's share in net assets	171,527,408	164,158,335
Goodwill	276,058,136	276,058,136
Carrying amount of interest in associate	P447,585,544	P440,216,471
Net sales	P517,583,465	P483,357,637
Net income	28,461,467	13,526,174
Group's share in net income	P14,042,888	P6,673,814

Investment in Joint Ventures

AyaGold Retailers, Inc.

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

The Group and its partner each initially invested P60 million or acquired 50% interest in AyaGold by subscribing to 6,000,000 common shares at P1 par value and 54,000,000 redeemable preferred shares at P1 par value. In February 2018, each party invested additional P32.5 million for 32,500,000 common shares at P1.00 par value.

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

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

	2019	2018
Balance at beginning of year	P169,631,896	P123,004,546
Additions	-	32,500,000
Share in net income	5,763,837	14,127,350
Balance at end of year	P175,395,733	P169,631,896

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

	2019	2018
Percentage of ownership	50%	50%
Current assets	P258,601,155	P267,156,027
Noncurrent assets	347,629,885	199,643,384
Total liabilities	(396,934,811)	(135,618,781)
Net assets	209,296,229	331,180,630
Group's share in net assets	104,648,114	165,590,315
Impact of adoption of PFRS 16	70,747,619	-
Other	-	4,041,581
Carrying amount of interest in joint venture	P175,395,733	P169,631,896
Net sales	P639,968,431	P607,391,644
Net income	11,527,674	28,254,700
Group's share in net income	P5,763,837	P14,127,350

PG Lawson Company, Inc.

In 2014, the Parent Company partnered with Lawson Asia Pacific Holdings Pte. Ltd. and Lawson, Inc. (Lawson), both engaged in the operation of convenience stores in Japan and other Asian countries, to establish PG Lawson Company, Inc. (PLCI), a joint venture company to operate convenience stores in the Philippines.

In April 2018, the Parent Company sold its entire investment in PLCI for P600 million. This resulted in a P363 million gain from the sale of such investment.

10. Property and Equipment

The movements in this account are as follows:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, December 31, 2017	P5,892,512,141	P2,505,228,563	P7,696,757,887	P8,922,650,464	P436,227,845	P1,024,738,319	P26,478,115,219
Additions	236,614,230	154,915,290	882,850,069	630,970,963	-	1,753,032,868	3,658,383,420
Reclassifications	246,162,042	27,649,427	326,540,912	1,053,420,820	-	(1,653,773,201)	-
Disposals	-	(4,273,738)	(27,821,466)	(11,374,253)	-	-	(43,469,457)
Balance, December 31, 2018	6,375,288,413	2,683,519,542	8,878,327,402	10,595,667,994	436,227,845	1,123,997,986	30,093,029,182
Additions	154,562,267	257,214,883	865,180,081	467,808,757	-	2,087,812,498	3,832,578,486
Reclassifications	130,924,329	64,224,370	365,583,130	1,247,220,904	-	(1,807,952,733)	-
Disposals	-	(931,592)	(178,442,220)	(7,341,493)	-	-	(186,715,305)
Balance, December 31, 2019	6,660,775,009	3,004,027,203	9,930,648,393	12,303,356,162	436,227,845	1,403,857,751	33,738,892,363
Accumulated Depreciation and Amortization							
Balance, December 31, 2017	1,082,102,871	1,126,998,758	4,816,023,702	1,756,617,569	-	-	8,781,742,900
Depreciation and amortization	206,515,275	204,747,335	955,465,682	488,112,881	-	-	1,854,841,173
Reclassifications	(18,496)	(1,796,693)	1,700,955	114,234	-	-	-
Disposals	-	(2,247,592)	(25,477,171)	(4,903,908)	-	-	(32,628,671)
Balance, December 31, 2018	1,288,599,650	1,327,701,808	5,747,713,168	2,239,940,776	-	-	10,603,955,402
Depreciation and amortization	216,985,291	219,285,661	1,027,741,384	565,646,244	-	-	2,029,658,580
Reclassifications	-	(1,366,304)	1,311,536	54,768	-	-	-
Disposals	-	(876,077)	(53,321,627)	(2,214,780)	-	-	(56,412,484)
Balance, December 31, 2019	1,505,584,941	1,544,745,088	6,723,444,461	2,803,427,008	-	-	12,577,201,498
Carrying Amount							
December 31, 2018	P5,086,688,763	P1,355,817,734	P3,130,614,234	P8,355,727,218	P436,227,845	P1,123,997,986	P19,489,073,780
December 31, 2019	P5,155,190,068	P1,459,282,115	P3,207,203,932	P9,499,929,154	P436,227,845	P1,403,857,751	P21,161,690,865

Interest expense on loans capitalized as part of property and equipment amounted to P12 million, P81.7 million and P76.4 million in 2019, 2018 and 2017, respectively (see Note 15). Capitalization rate is 4%, 2% and 1% in 2019, 2018 and 2017, respectively.

11. Right-of-Use Assets

The movements in this account are as follows:

	2019	2018 (Restated)
Cost		
Balance at January 1	P30,150,419,773	P26,939,131,954
Additions	3,325,233,861	3,543,208,336
Modifications to leases	89,043,702	(29,197,670)
Terminated leases	(163,201,984)	(159,904,367)
Derecognition of right-of-use assets	(386,623,428)	(142,818,480)
Balance at December 31	33,014,871,924	30,150,419,773
Accumulated Depreciation		
Balance at January 1	7,879,973,086	6,509,476,301
Depreciation	1,748,512,654	1,587,669,788
Terminated leases	(51,672,436)	(74,354,523)
Derecognition of right-of-use assets	(386,623,428)	(142,818,480)
Balance at December 31	9,190,189,876	7,879,973,086
Carrying Amount at December 31	P23,824,682,048	P22,270,446,687

For the restatement of balances following the adoption of PFRS 16, see Note 30. The right-of-use assets mainly pertain to leases of stores and also include leases of parcels of land, warehouses, distribution centers and parking spaces.

12. Goodwill and Other Intangibles

This account consists of:

	2019	2018
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	177,985,058	179,832,676
Leasehold rights - net	51,113,794	54,881,545
	P19,730,635,701	P19,736,251,070

Goodwill

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 are as follows:

	2019	2018
Kareila	P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	837,974,199	837,974,199
Gant	742,340,804	742,340,804
DCI and FLSTCI	685,904,317	685,904,317
Company E	358,152,015	358,152,015
B&W	187,203,888	187,203,888
PJSI	11,374,263	11,374,263
	P14,902,423,321	P14,902,423,321

Other Intangibles with Indefinite Lives

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

CGUs to which goodwill and other intangibles with indefinite lives have been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. Upon adoption of PFRS 16, the carrying values of the CGUs tested for impairment include their right-of-use assets and associated lease liabilities. 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 9.1% and 11%% in 2019 and 13% to 13.6% in 2018. 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% and 22% for the CGUs. The average operating margins applied in the projected periods ranged between 1.3% and 14.8% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.9% and 5% 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)	
	2019	2018	2019	2018
Kareila	11.0%	13.3%	3.0%	5.0%
Budgetlane Supermarkets	11.0%	13.1%	3.0%	5.0%
Gant	10.9%	13.6%	3.0%	5.0%
DCI and FLSTCI	10.6%	13.6%	3.0%	5.0%

As at December 31, 2019, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if either of the following change occurs: discount rate increased by 0.3% or growth rate decreased by 1%.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	2019	2018
Cost		
Balance at January 1	P376,186,458	P327,138,387
Additions	41,306,299	54,937,054
Transfers to a related party	(333,983)	(5,888,983)
Balance at December 31	417,158,774	376,186,458
Accumulated Amortization		
Balance at January 1	196,353,782	159,315,726
Amortization	42,819,934	37,038,056
Balance at December 31	239,173,716	196,353,782
Carrying Amount December 31, 2019	P177,985,058	P179,832,676

Leasehold Rights

The movements in leasehold rights are as follows:

	2019	2018
Cost		
Balance at December 31	P75,355,005	P75,355,005
Accumulated Amortization		
Balance at January 1	20,473,460	16,705,709
Amortization	3,767,751	3,767,751
Balance at December 31	24,241,211	20,473,460
Carrying Amount December 31, 2019	P51,113,794	P54,881,545

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

13. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	2019	2018 (Restated)
Security deposits	29, 30	P2,072,158,962	P1,968,119,934
Advances to contractors		290,709,396	313,180,198
Accrued rent income	19, 25	33,966,325	29,360,256
Others		7,879,160	7,879,160
		P2,404,713,843	P2,318,539,548

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>	2019	2018
Trade	23, 29	P8,640,007,681	P9,287,935,438
Nontrade	23, 29	1,833,971,720	1,026,916,992
Dividends payable	26, 29	1,147,872,562	-
Withholding taxes payable		147,596,464	172,972,526
Accrued expenses:	29		
Manpower agency services		851,648,159	858,326,474
Utilities		193,320,785	170,073,802
Rent		63,272,765	38,969,751
Others		202,157,446	121,311,012
		P13,079,847,582	P11,676,505,995

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 such as fixed asset acquisitions and stores under construction.

15. Loans Payable

This account consists of:

a. Short-term Loans

	<i>Note</i>	2019	2018
Metrobank		P500,000,000	P2,447,500,000
Cosco Capital	24	-	900,000,000
BDO		-	900,000,000
AUB		-	500,000,000
Puregold Finance	24	1,570,353	8,800,000
		P501,570,353	P4,756,300,000

Short-term loans are payable from three to twelve months and bear interest from 4.00% to 6.40% in 2019 and 4.75% to 5.75% in 2018.

The loan proceeds were used for working capital requirements.

b. Long-term Loans

	<i>Note</i>	2019	2018
Unsecured Peso Denominated			
Fixed-rate note of Kareila		P400,000,000	P400,000,000
Fixed-rate note of Parent Company		-	1,440,000,000
	29	P400,000,000	P1,840,000,000

Fixed-rate Note of Parent Company

On June 13, 2013, the Parent Company obtained a P2 billion unsecured loan from a local bank, which is payable on May 21, 2018 and bears interest at 3.50% per annum. The interest is due every month.

On May 2, 2018, the Parent Company partially paid the loan amounting to P660 million and the maturity for the outstanding balance of P1.4 billion was renewed for 7 years at 6.4% interest per annum.

In 2019, the Parent Company fully paid the remaining balance.

Fixed-rate Note of Kareila

On July 23, 2013, Kareila obtained a P500 million unsecured loan from a local bank. The loan is payable after 5 years and bears interest at 3.50% per annum. The interest is due every month.

In 2015, Kareila partially paid the loan amounting to P100 million.

On May 2, 2018, the maturity for the outstanding balance of P400 million was renewed for 7 years at 6.4% interest rate per annum.

The following are the contractual maturities of the long-term loans, including estimated interest payments and excluding the impact of netting agreements:

2019					
	Carrying Amount	Contractual Cash Flows	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans	P400,000,000	P531,840,000	P25,173,333	P506,666,667	P -

2018					
	Carrying Amount	Contractual Cash Flows	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans	P1,440,000,000	P1,523,273,143	P13,165,714	P52,662,857	P1,457,444,572
	400,000,000	423,131,429	3,657,143	14,628,571	404,845,715
	P1,840,000,000	P1,946,404,572	P16,822,857	P67,291,428	P1,862,290,287

The loans are not subject to any covenants.

Interest expense charged to profit or loss amounted to P99.9 million, P174.6 million and P129.7 million in 2019, 2018 and 2017, respectively.

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

Changes in Liabilities Arising from Financing Activities:

The movements and balances of this account are as follows:

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 13 and 25)	Lease Liabilities	Total
Balance at January 1, 2019	P4,756,300,000	P1,840,000,000	P -	P27,913,135,119	P34,509,435,119
Changes from financing cash flows:					
Payment of loans	(4,256,300,000)	(1,438,429,647)	-	-	(5,694,729,647)
Lease payments	-	-	-	(2,572,668,416)	(2,572,668,416)
Payment of dividends	-	-	(1,153,693,046)	-	(1,153,693,046)
Total changes from financing cash flows	(4,256,300,000)	(1,438,429,647)	(1,153,693,046)	(2,572,668,416)	(9,421,091,109)
Other Changes					
Liability-related					
Additions	-	-	-	3,171,598,765	3,171,598,765
Other lease adjustments	-	-	-	1,903,679,709	1,903,679,709
Declaration of dividends	-	-	2,301,565,608	-	2,301,565,608
Total liability-related changes	-	-	2,301,565,608	5,075,278,474	7,376,844,082
Balance at December 31, 2019	P500,000,000	P401,570,353	P1,147,872,562	P30,415,745,177	P32,465,188,092

16. Other Current Liabilities

This account consists of:

	Note	2019	2018
Deposits from tenants	19, 29	P189,508,497	P149,238,744
Unredeemed gift certificates		157,477,311	127,912,876
VAT payable		78,225,030	40,659,413
Promotion fund		1,934,210	1,835,136
Others	29	7,658,617	15,979,896
		P434,803,665	P335,626,065

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

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

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2019 and 2018. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the rollforward of contract liabilities for the years ended 2019 and 2018:

	2019	2018
Beginning balance	P127,912,876	P125,631,595
Add receipts	481,758,850	476,040,948
Less sales recognized	452,194,415	473,759,667
Ending balance	P157,477,311	P127,912,876

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 or retail basis. The revenue from contracts with customers is disaggregated by revenue streams.

	Note	2019	2018	2017
Net sales from stores		P154,490,309,082	P141,139,261,418	P124,703,432,674
Concession fee income	20	2,056,097,023	1,878,358,992	1,647,845,057
Membership fee income	20	572,713,780	513,588,832	452,973,681
Revenue from contract with customers		P157,119,119,885	P143,531,209,242	P126,804,251,412

18. Cost of Sales

This account for the years ended December 31 consists of:

	Note	2019	2018	2017
Beginning inventory	6	P19,731,823,439	P17,696,641,161	P16,487,824,308
Add: Purchases		128,334,132,399	119,245,866,298	104,223,965,567
Total goods available for sale		148,065,955,838	136,942,507,459	120,711,789,875
Less: Ending inventory	6	19,526,196,704	19,731,823,439	17,696,641,161
		P128,539,759,134	P117,210,684,020	P103,015,148,714

19. Leases

Lessee

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 5 years to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1%-10% 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 statements of financial position are as follows:

	2019	2018 (Restated)
Due within one year	P490,191,528	P640,847,317
Due beyond one year	29,925,553,649	27,272,287,802
	P30,415,745,177	P27,913,135,119

The movements in lease liabilities are as follows:

	Note	2019	2018 (Restated)
Balance at January 1	29	P27,913,135,119	P25,174,602,467
Additions		3,171,598,765	3,440,876,930
Accretion of interest expense		1,968,625,600	1,769,861,632
Repayments		(2,572,668,416)	(2,319,608,204)
Terminations		(153,989,593)	(123,400,035)
Modifications		89,043,702	(29,197,671)
Balance at December 31		30,415,745,177	27,913,135,119
Less due within one year		490,191,528	640,847,317
		P29,925,553,649	P27,272,287,802

Shown below is the maturity analysis of the undiscounted lease payments for the years ended December 31:

	2019	2018 (Restated)	2017 (Restated)
Less than one year	P2,336,995,275	P2,351,269,124	P2,241,396,936
One to five years	9,672,106,532	9,568,275,805	9,438,782,266
More than five years	34,949,127,659	34,301,805,627	34,377,210,642
	P46,958,229,466	P46,221,350,556	P46,057,389,844

The following are the amounts recognized in profit or loss:

	2019	2018 (Restated)	2017 (Restated)
Variable lease payments not included in the measurement of lease liabilities*	P581,170,042	P674,524,436	P735,927,258
Expenses related to leases of low-value assets	44,722,976	31,193,906	39,514,033
Expenses related to short-term leases	2,681,012	2,291,286	3,194,292
Total rent expense	628,574,030	708,009,628	778,635,583
Interest accretion on lease liabilities	1,968,625,600	1,769,861,632	1,592,235,950
Depreciation charge for right-of-use assets	1,748,512,653	1,587,669,788	1,322,526,928
Gain from lease terminations	(42,460,046)	(37,850,190)	(15,173,879)

*This includes the concession fee expense presented as separate line item under "Operating expenses" in the statements of comprehensive income.

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

The total cash outflow for leases amounted to P3,201.4 million, P3,027.6 million, and P2,771.3 million in 2019, 2018, and 2017, 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 P463.9 million, P407.2 million and P388.7 million in 2019, 2018 and 2017, respectively (see Note 20).

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

	2019	2018	2017
Less than one year	P275,981,653	P260,144,891	P186,082,674
One to two years	139,824,829	104,020,758	69,140,419
Two to three years	132,084,351	98,262,335	65,312,916
Three to four years	109,160,620	81,208,541	53,977,616
Four to five years	99,236,929	73,825,948	49,070,561
More than five years	82,851,945	95,071,499	100,983,790
	P839,140,327	P712,533,972	P524,567,976

20. Other Revenue

This account consists of:

	<i>Note</i>	2019	2018	2017
Concession fee income	17	P2,056,097,023	P1,878,358,992	P1,647,845,057
Membership fee income	17	572,713,780	513,588,832	452,973,681
Rent income	19	463,941,849	407,251,364	388,645,067
Miscellaneous		170,100,786	141,891,881	202,783,823
		P3,262,853,438	P2,941,091,069	P2,692,247,628

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>	2019	2018 (Restated)	2017 (Restated)
Depreciation and amortization	10, 11, 12, 19	P3,780,806,466	P3,441,225,478	P2,961,650,092
Manpower agency services		3,492,753,742	3,343,676,703	2,878,788,171
Communication, light and water		2,382,736,196	2,309,873,902	1,903,212,317
Salaries and wages		2,123,354,354	1,944,170,492	1,782,722,428
Security services		937,639,989	906,924,442	887,991,211
Taxes and licenses		808,850,133	760,848,934	642,283,135
Rent	19	628,574,030	708,009,628	778,635,583
Store and office supplies		562,041,985	547,671,887	546,921,912
Repairs and maintenance		499,799,076	444,234,406	367,634,094
Credit card charges		356,308,987	298,879,561	270,110,521
Advertising and marketing		346,541,780	288,045,748	255,460,966
Input VAT allocable to exempt sales		239,068,606	131,256,960	58,423,639
Insurance		206,746,899	195,043,275	173,781,344
Janitorial and messengerial services		202,192,326	206,482,215	183,991,134
SSS/Medicare and HDMF contributions		184,384,889	140,857,294	131,018,960
Other selling expenses		183,355,869	174,498,578	160,627,280
Transportation		138,340,015	100,711,654	61,816,122
Retirement benefits cost	24	131,495,043	163,606,897	147,018,254
Representation and entertainment		121,756,140	124,235,532	77,799,912
Fuel and oil		77,705,076	80,576,785	57,306,745
Royalty	23	58,896,798	54,342,743	46,331,866
Professional fee		35,647,131	35,001,282	30,844,191
Miscellaneous		330,776,873	238,719,101	206,694,553
		P17,829,772,403	P16,638,893,497	P14,611,064,430

22. Others

This account consists of:

	Note	2019	2018 (Restated)	2017 (Restated)
Gain from lease terminations	19	P42,460,046	P37,850,190	P15,173,879
Bank charges		(14,551,874)	(26,747,884)	(20,953,904)
Gain (loss) on insurance claims		3,503,436	3,351,032	(14,855,363)
Unrealized valuation gain (loss) on financial assets at FVPL	7	(1,581,991)	(10,385,284)	11,778,851
Dividend income	9	724,358	679,505	1,856,196
Foreign exchange losses		(547,824)	(2,881,249)	(122,754)
Gain on sale of investment in joint venture	9	-	362,810,262	-
Gain from disposal of property and equipment	10	-	154,310	-
		P30,006,151	P364,830,882	(P7,123,095)

23. Related Party Transactions

Other than the items disclosed in Note 9, the Group's significant transactions and balances with related parties are as follows:

Related Party	Year	Note	Amount of Transactions for the Year	Money Market Placements (see Note 4)	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 14)	Nontrade Payable, Loans and Lease Liabilities (see Notes 14, 15 and 19)	Due to Related Parties	Terms	Conditions
Parent											
Dividends	2019		P564,137,807	P -	P -	P -	P -	P564,137,807	P -	Due and demandable	Unsecured
Loans	2019	d	1,400,000,000	-	-	-	-	500,000,000	-	6 months; interest bearing at 4.5%-5%	
	2018		600,000,000	-	-	-	-	900,000,000	-		
Interest expense	2019	d	48,168,750	-	-	-	-	-	-		
	2018		23,924,306	-	-	-	-	-	-		
Expense reimbursement	2019		-	-	-	-	-	-	-	Due and demandable	
	2018		60,983	-	-	60,983	-	-	-		
Entities under Common Control											
Leases	2019	a	819,037,966	-	-	316,068	-	44,015,083	-	Due and demandable	Unsecured; no impairment
	2018		808,482,339	-	-	3,088	-	25,747,668	-		
Concession expense	2019	b	466,846,777	-	-	-	-	-	-	Due and demandable	Unsecured
	2018		522,618,432	-	-	-	-	92,395,254	-		
Short-term investments	2019	4	7,601,706,380	4,142,656,777	-	-	-	-	-	Original maturity of less than 3 months	
	2018		1,702,560,556	1,302,078,333	-	-	-	-	-		
Purchase of merchandise	2019		3,257,357,027	-	-	-	1,008,628,015	-	-	Due and demandable	Unsecured
	2018		2,237,787,289	-	-	-	504,052,460	-	-		
Sale of merchandise	2019		80,338,755	-	41,985,248	-	-	-	-	Due and demandable	Unsecured; no impairment
	2018		55,568,081	-	12,786,493	-	-	-	-		
Security deposits	2019	a	7,352,322	-	-	18,721	-	631,629	-	Due and demandable	Unsecured; no impairment
	2018		25,854,101	-	-	-	-	-	-		
Advances	2019		116,000,000	-	-	116,000,000	-	-	-	Due and demandable	Unsecured; no impairment
	2018		-	-	-	116,000,000	-	-	-		
Management fee	2019		15,377,655	-	-	-	-	659,687	-	Due and demandable	Unsecured
	2018		13,962,618	-	-	-	-	2,072,162	-		
Fixed asset	2019		123,605,957	-	-	123,605,957	-	-	-	Due and demandable	Unsecured
	2018		359,048	-	-	359,048	-	-	-		
Loans	2019	d	8,970,000	-	-	-	-	1,570,353	-		
	2018		8,800,000	-	-	-	-	-	-		
Expense reimbursement	2019		265,374,228	-	-	6,924,032	-	9,427,419	-	Due and demandable	Unsecured
	2018		269,975,291	-	-	14,279,885	-	5,353,694	-		
Stockholder											
Royalty expense	2019	c	58,896,798	-	-	-	-	-	47,117,438	30 years and subject to renewal	Unsecured
	2018		54,342,743	-	-	-	-	-	43,474,532		
Leases	2019	a	23,904,576	-	-	-	-	-	-		
	2018		23,208,327	-	-	-	-	-	-		
Key Management Personnel											
Short-term benefits	2019		13,423,861	-	-	-	-	-	-		
	2018		34,208,308	-	-	-	-	-	-		
Total	2019			P4,142,656,777	P41,985,248	P246,864,778	P1,008,628,015	P1,120,441,978	P47,117,438		
Total	2018			P1,302,078,333	P12,786,493	P130,703,004	P504,052,460	P1,025,568,778	P43,474,532		

a. Leases - Group as a Lessee

The Group leases certain stores from related parties. Lease terms range from 10 to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1%-7% escalation.

b. Consignment and Concession

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

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

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the 4 stores.
- The Consignor shall give the Consignee a trade or volume discount of its gross sales.
- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.
- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.
- In exchange, the consignor gives the consignee a trade or volume discount in the amount equivalent to 5% of the consignee's gross sales which was increased to 15% on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of 10% of the Consignee's gross sales.

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

- The Consignor shall pay the Consignee 4% monthly consignment/concession fee based on the Consignor's monthly gross sales.
- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.
- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

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

c. License Agreement

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

d. Loans

Cosco

In 2017, Kareila obtained an unsecured short-term loan from COSCO amounting to P300 million at 2.50% interest per annum.

In 2018, the loan was renewed for another six months at 4.75% interest per annum. Kareila obtained additional short-term loan during the year amounting to P600.00 million at 5.00% interest per annum. The loans matured and were fully paid in 2019.

In 2019, Kareila obtained an unsecured short-term loan with term of 6 months from Cosco amounting to P1.4 billion at 5.5% interest per annum.

Puregold Finance

In 2018, the Parent Company obtained an unsecured short-term loan from Puregold Finance amounting to P8.8 million. This was fully paid in 2019.

In 2019, the Parent Company obtained an unsecured short-term loan from Puregold Finance amounting to P9.0 million.

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

Significant Related Party Transactions and Balances Eliminated During Consolidation

a. Receivables and Sales of the Parent Company from/to the subsidiaries:

	2019	2018
Sales	P74,925,615	P789,173
Trade receivable	74,925,615	10,016,237

- b. Trade payable and purchases of the Parent Company to/from the subsidiaries:

	2019	2018
Cost of sales	P58,839,910	P133,008,664
Merchandise inventories	169,752	789,173
Trade payable	58,646,833	755,572

- c. Dividend receivable of the Parent Company from KMC:

	Amount of Transaction	2019	2018
Dividend receivable	P475,000,000	P475,000,000	P475,000,000

24. Retirement Benefits Liability

The Parent Company and its subsidiaries has unfunded, 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, 2019. 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 statements of financial position as at December 31 is as follows:

	2019	2018
Present value of defined benefit obligation	P947,535,634	P504,207,438
Fair value of plan assets	(28,450,238)	(25,711,784)
Retirement benefits liability	P919,085,396	P478,495,654

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

	2019	2018
Balance at January 1	P504,207,438	P564,085,747
Included in profit or loss		
Current service cost	95,464,319	132,931,025
Interest cost	37,966,821	32,152,888
	133,431,140	165,083,913
Benefits paid	(3,952,095)	-
Included in other comprehensive income		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	338,118,445	(343,324,419)
Experience adjustments	(24,269,294)	118,362,197
	313,849,151	(224,962,222)
Balance at December 31	P947,535,634	P504,207,438

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

	2019	2018
Beginning of the year	P25,711,784	P25,912,570
Interest income	1,936,097	1,477,016
Remeasurement gain (loss)	802,357	(1,677,802)
End of the year	P28,450,238	P25,711,784

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

	2019	2018
Beginning of year	(P390,651,871)	(P167,393,168)
Actuarial losses (gains) for the year	313,046,794	(223,258,703)
Ending balance	(P77,605,077)	(P390,651,871)

The cumulative actuarial gains, net of income tax effect, amounted to P54.47 million and P273.74 million as at December 31, 2019 and 2018, which are presented as retirement benefits reserve in the equity section of the consolidated statements of financial position.

The Group's plan assets as at December 31 consist of the following:

	2019	2018
Cash in banks	P2,460,784	P1,810,041
Debt instruments - government bonds	25,725,898	23,657,118
Trust fees payable	(14,143)	(12,770)
Other	277,699	257,395
	P28,450,238	P25,711,784

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 million pesos.

The Group does not expect to contribute to the plan in 2019.

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

	2019	2018
Discount rate	5.22%	7.53%
Future salary increases	8.00%	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, 2019 and 2018 is 20.8 years and 19.4 years, respectively.

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:

2019

	Increase	Decrease
Discount rate (1% movement)	(P215,392,002)	P169,071,712
Future salary increase rate (1% movement)	207,545,305	(166,935,629)

2018

	Increase	Decrease
Discount rate (1% movement)	(P105,323,932)	P83,525,380
Future salary increase rate (1% movement)	103,955,284	(84,070,916)

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.

Maturity analysis of the benefit payments:

	2019				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P947,535,634	P209,175,795	P35,986,562	P34,030,679	P139,158,554

	2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P504,207,438	P167,249,749	P29,708,291	P26,241,559	P111,299,899

25. Income Taxes

The components of income tax expense are as follows:

	2019	2018 (Restated)	2017 (Restated)
Current tax expense	P3,119,379,310	P2,803,076,753	P2,667,791,823
Deferred tax benefit	(312,346,160)	(299,892,203)	(237,878,414)
	P2,807,033,150	P2,503,184,550	P2,429,913,409

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:

	2019	2018 (Restated)	2017 (Restated)
Income before income tax	P9,579,820,928	P8,702,684,843	P7,924,035,347
Income tax expense at the statutory income tax rate:			
30%	P2,980,839,381	P2,675,203,419	P2,370,188,912
5%	5,887,079	6,946,902	5,026,265
Income tax effects of:			
Interest income subject to final tax	(62,677,441)	(42,854,455)	(5,748,862)
Changes in unrecognized DTA/DTL	245,881	1,257,011	1,245,452
Nondeductible interest expense	4,476,385	4,131,613	2,279,372
Nontaxable income	-	-	(3,533,656)
Dividend income exempt from tax	(148,063,452)	(142,703,852)	-
Other income subject to final tax	(1,700,063)	(33,000,000)	(556,589)
Nondeductible other expenses	28,025,380	34,203,912	61,012,515
	P2,807,033,150	P2,503,184,550	P2,429,913,409

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

	2019		2018 (Restated)	
	Amount	DTA (DTL)	Amount	DTA (DTL)
PFRS 16*	P6,540,330,847	P1,962,099,254	P5,339,619,847	P1,601,885,954
Retirement benefits liability	994,519,533	298,355,860	893,142,763	267,942,829
Allowance for impairment losses on receivables	7,462,327	2,238,698	7,462,327	2,238,698
Recognition of DTA due to Merger	389,731	116,919	389,731	116,919
DTA	7,542,702,438	2,262,810,731	6,240,614,668	1,872,184,400
Fair value of intangible assets from business combination	(4,599,113,528)	(1,379,734,058)	(4,599,113,528)	(1,379,734,058)
Actuarial loss (gains)	(77,210,839)	(23,163,251)	(390,677,587)	(117,200,276)
Accrued rent income	(33,913,825)	(10,174,148)	(29,360,256)	(8,808,077)
DTL	(4,710,238,192)	(1,413,071,457)	(5,019,151,371)	(1,505,742,411)
Net	P2,832,464,246	P849,739,274	P1,221,463,297	P366,438,989

*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 stocks as at December 31 are as follow:

	2019	2018	2017
Authorized - 3,000,000,000 shares (P1 par value)			
Issued and outstanding:			
Balance at beginning of year	2,799,914,086	2,785,362,877	2,785,362,877
Issuances during the year	104,300,000	14,551,209	-
Balance at end of year	2,904,214,086	2,799,914,086	2,785,362,877

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

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

The Parent Company acquired 100% equity interest of Kareila in exchange for the 766,406,250 common shares of the Parent Company's authorized but unissued capital stock on May 28, 2012. The fair value of shares as at the acquisition date is P21.50 per share. The additional paid-in capital net of direct transaction costs amounted to P15,661.57 million.

On January 16, 2019, the Parent Company conducted a P4,693,500,000 top up placement of 104,300,000 million common shares at a price of P45.00 per share. The Parent Company completed the placement upon approval of the BOD. The additional shares were issued effective March 5, 2019.

On February 20, 2019, the BOD approved to increase the authorize capital stock of the Parent Company from 3 billion shares to 5 billion shares with par value of One Peso (P1.00) per share. The shareholders approved the amendment to articles of incorporation on May 14, 2019.

As at December 31, 2019 and 2018, the Parent Company has 40 stockholders with at least one board lot at the PSE, for a total of 2,904,214,086 and 2,799,914,086 (P1.00 per share par value) issued and outstanding common shares, respectively.

Treasury Stock

The Group's treasury shares as at December 31 are as follows:

	2019	2018	2017
Balance at beginning of year	34,532,680	19,981,471	19,981,471
Additions	-	14,551,209	-
Balance at end of year	34,532,680	34,532,680	19,981,471

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 P26.55 per share. Considering that the ultimate owner of PJSI and Gant is the Parent Company, the shares issued were recognized as treasury stock.

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30.0 million shares within one year from the approval or until November 4, 2015. As at December 31, 2018 and 2017, the Parent Company already bought P34.53 million worth of shares 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 stock shares issued were recognized.

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 P39.00 per share. Considering that the ultimate owner is the Parent Company, the shares issued were recognized as treasury stock in the consolidated financial statements.

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

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 nature of products, class of customers, and regulatory environment is the same for all the stores.

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:

	2019	2018 (Restated)	2017 (Restated)
Net income (a)	P6,772,787,778	P6,199,500,293	P5,494,121,938
Weighted average number of ordinary shares (b)	2,860,989,739	2,765,381,406	2,765,381,406
Basic/diluted EPS (a/b)	P2.37	P2.24	P1.99

As at December 31, 2019, 2018 and 2017, 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 due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

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

	Note	2019	2018
Cash in banks and cash equivalents	4	P15,709,624,745	P9,511,096,499
Receivables - net	5	2,675,551,867	4,789,798,078
Security deposits*	12	2,075,758,686	2,014,945,692
		P20,460,935,298	P16,315,840,269

**Included under noncurrent assets.*

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

As of December 31, 2019				
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P15,709,624,745	P -	P -	P15,709,624,745
Receivables - net	2,675,551,867	-	-	2,675,551,867
Security deposits*	2,075,758,686	-	-	2,075,758,686
	P20,460,935,298	P -	P -	P20,460,935,298

**Included under noncurrent assets.*

As of December 31, 2018				
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P9,511,096,499	P -	P -	P9,511,096,499
Receivables - net	4,789,798,078	-	-	4,789,798,078
Security deposits*	2,014,945,692	-	-	2,014,945,692
	P16,315,840,269	P -	P -	P16,315,840,269

**Included under noncurrent assets.*

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

- Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

- 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 high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.
- c. 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 - net at the reporting date are as follows:

	2019		2018	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P1,125,529,821	P -	P2,930,178,205	P -
Past due 1-30 days	981,590,990	-	955,111,912	-
Past due 31-60 days	110,353,261	-	420,908,784	-
More than 60 days	465,540,122	7,462,327	491,061,504	7,462,327
	P2,683,014,194	P7,462,327	P4,797,260,405	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 December 31, 2019				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P12,932,251,118	P12,932,251,118	P12,932,251,118	P -	P -
Short-term loans payable	501,570,353	501,570,353	501,570,353	-	-
Due to related parties	47,117,438	47,117,438	47,117,438	-	-
Lease liabilities	30,415,715,143	46,958,229,466	2,336,995,275	9,672,106,532	34,949,127,659
Long-term debt including current portion	400,000,000	536,533,333	25,600,000	510,933,333	-
Other current liabilities**	197,167,114	197,167,114	197,167,114	-	-

*excluding statutory payables to the government

**excluding promotion fund, loyalty and rewards, unredeemed gift certificates VAT payable and other current liabilities of Kareila

As at December 31, 2018 (Restated)					
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P11,503,533,469	P11,503,533,469	P11,503,533,469	P -	P -
Short-term loans payable	4,756,300,000	4,456,300,000	4,456,300,000	-	-
Due to related parties	43,474,532	43,474,532	43,474,532	-	-
Lease liabilities	27,913,135,119	46,221,350,556	2,351,269,124	9,568,275,805	34,301,805,627
Long-term debt including current portion	1,840,000,000	1,946,404,572	16,822,857	67,291,428	1,862,290,287
Other current liabilities**	165,218,637	165,218,637	165,218,637	-	-

*excluding statutory payables to the government

**excluding promotion fund, loyalty and rewards, unredeemed gift certificates VAT payable and other current liabilities of Kareila

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. Cash deposits with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk since its short and long-term loans with fixed rates are carried at amortized cost. The Group's policy is to obtain the most favorable interest available without increasing its foreign currency exchange exposure.

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

	2019	2018	2017
Financial assets (cash deposits):			
Cash in banks	P5,280,614,006	P2,327,340,011	P1,595,422,919
Money market placements	10,429,010,739	7,183,756,488	5,558,243,069
	P15,709,624,745	P9,511,096,499	P7,153,665,988

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P21.40 million, P13.96 million and P10.02 million in 2019, 2018 and 2017, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% 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, Accounts Payable and Accrued Expenses, Short-term Loans, 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 FVPL

The fair values are based on quoted market prices in an active market.

Security Deposits

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

Long-term Loans and Lease Liabilities

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

Fair Value Hierarchy

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

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

As at December 31, 2019 and 2018, the Group's investment in financial assets at FVPL were measured based on Level 1.

30. Restatements and Reclassifications

Change in Accounting Policy

The Group adopted PFRS 16 on January 1, 2019, and applied the full retrospective transition approach, and, therefore, the comparative figures for the 2018 and 2017 financial years have been restated, as presented below.

PFRS 16 introduced a single, on-balance-sheet lease accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets, representing its rights to use the underlying assets, and lease liabilities, representing its obligation to make lease payments.

On the income statement, there are changes to the nature of expenses related to leases in which the Group leases an asset (lessee), because PFRS 16 replaces the operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

At the time of the transition to PFRS 16, the Group determined whether an arrangement contains a lease. When performing this assessment, the Group could choose whether to apply the PFRS 16 definition of a lease to all its contracts or apply the practical expedient allowed under PFRS 16 and not reassess whether a contract is, or contains, a lease. The Group chose to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it applied PFRS 16 to all contracts entered into before December 31, 2018, and identified as leases in accordance with PAS 17 and Philippine Interpretation IFRIC 4.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from PFRS 16. However, subleases under PFRS 16 are classified with reference to the right-of-use asset, not with reference to the underlying asset, as per PAS 17. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under PAS 17. The Group concluded that the sub-lease is still an operating lease under PFRS 16.

See Note 3 for the accounting policy selected for lease accounting.

In 2019, the Group also changed its accounting policy to classify interest payments under financing activities from its previous classification under operating activities in the consolidated statements of cash flows.

Reclassifications

The Group has changed the presentation of credit card fees in prior years from a reduction in sales to a separate expense to conform to the current year presentation. The Group is acting as a principal on sales to the customer by credit card and the bank serves as its agent to collect the cash from the customer. Therefore, the sales are recognized gross and the fee to the bank is an expense. Credit card fees amounted to P356.31 million, P298.88 million and P270.11 million, in 2019, 2018 and 2017, respectively.

The Group reclassified the concession expense to rent expense to conform with the proper current year presentation, in line with its adoption of PFRS 16.

The Group also reclassified certain individually immaterial accounts in 2018 and 2017 to conform to the 2019 presentation and classification. The reclassification has no impact on the 2019 and 2018 profit or loss and equity of the Group.

The following tables summarize the impacts of the change in accounting policy and reclassifications on the Group's consolidated financial statements in the prior periods presented.

Consolidated Statements of Financial Position

December 31, 2019	Impact of Changes in Accounting Policies		
	Under PAS 17	Adjustments for PFRS 16	As Presented
Right-of-use assets - net	P -	P23,824,682,048	P23,824,682,048
Prepaid expenses and other current assets	1,095,973,519	(375,747,371)	720,226,148
Deferred tax assets - net	135,343,792	714,395,482	849,739,274
Total assets	P84,471,467,599	P24,163,330,159	P108,634,797,758
Lease liabilities:			
Due within one year	P -	(P490,191,528)	(P490,191,528)
Due beyond one year	-	(29,925,553,649)	(29,925,553,649)
	-	(30,415,745,177)	(30,415,745,177)
Noncurrent accrued rent	(4,159,012,572)	4,159,012,572	-
Total liabilities	(P20,478,715,220)	(P26,256,732,605)	(P46,735,447,825)
Retained earnings	(P35,743,653,660)	P2,093,402,446	(P33,650,251,214)
Total equity	(P63,992,752,379)	P2,093,402,446	(P61,899,349,933)

December 31, 2018	As Previously Reported	Adjustments for PFRS 16	Reclassification	As Restated
Right-of-use assets - net	P -	P22,270,446,687	P -	P22,270,446,687
Prepaid expenses and other current assets	1,192,910,954	(177,229,503)	(195,234,852)	820,446,599
Investments in associate and joint venture	611,053,714	-	(7,879,160)	603,174,554
Deferred tax asset	-	366,438,989	-	366,438,989
Other noncurrent assets	2,115,425,536	-	203,114,012	2,318,539,548
Total assets	P78,390,198,397	P22,459,656,173	P -	P100,849,854,570
Lease liabilities:				
Due within one year	P -	(P640,847,317)	P -	(P640,847,317)
Due beyond one year	-	(27,272,287,802)	-	(27,272,287,802)
	-	(27,913,135,119)	-	(27,913,135,119)
Noncurrent accrued rent	(3,692,167,535)	3,692,167,535	-	-
Deferred tax liability	(135,128,978)	135,128,978	-	-
Total liabilities	(P23,752,194,235)	(P24,085,838,606)	P -	(P47,838,032,841)
Retained earnings	(P30,805,211,477)	P1,626,182,433	P -	(P29,179,029,044)
Total equity	(P54,638,004,162)	P1,626,182,433	P -	(P53,011,821,729)

January 1, 2018	As Previously Reported	Adjustments for PFRS 16	Reclassification	As Restated
Right-of-use assets - net	P -	P20,429,655,652	P -	P20,429,655,652
Prepaid expenses and other current assets	964,129,471	(278,179,632)	(64,664,900)	621,284,939
Investments in associate and joint venture	801,616,101	-	(7,879,160)	793,736,941
Deferred tax assets - net	-	213,870,461	-	213,870,461
Other noncurrent assets	1,886,062,097	-	72,544,060	1,958,606,157
Total assets	P71,464,093,216	P20,365,346,481	P -	P91,829,439,697
Lease liabilities:				
Due within one year	P -	(P586,388,958)	P -	(P586,388,958)
Due beyond one year	-	(24,588,213,509)	-	(24,588,213,509)
	-	(25,174,602,467)	-	(25,174,602,467)
Deferred tax liability	(242,677,396)	242,677,396	-	-
Noncurrent accrued rent	(3,260,616,193)	3,260,616,193	-	-
Total liabilities	(P23,502,237,063)	(P21,671,308,878)	P -	(P45,173,545,941)
Retained earnings	(P24,285,491,146)	P1,305,962,395	P -	(P22,979,528,751)
Total Equity	(P47,961,856,151)	P1,305,962,395	P -	(P46,655,893,756)

January 1, 2017	Impact of Changes in Accounting Policies		
	As Previously Reported	Adjustments for PFRS 16	As Restated
Right-of-use assets - net	P -	P20,124,246,974	P20,124,246,974
Prepaid expenses and other current assets	981,917,114	(261,117,183)	720,799,931
Deferred tax assets - net	(371,119,850)	458,371,649	87,251,799
Total assets	P65,382,713,756	P20,321,501,440	P85,704,215,196
Lease liabilities:			
Due within one year	P -	(P562,675,196)	(P562,675,196)
Due beyond one year	-	(23,593,858,062)	(23,593,858,062)
	-	(24,156,533,258)	(24,156,533,258)
Noncurrent accrued rent	(2,909,884,084)	2,875,159,276	(34,724,808)
Total liabilities	(P22,209,705,885)	(P21,281,373,982)	(P43,491,079,867)
Retained earnings	(P19,551,431,915)	P959,872,540	(P18,591,559,375)
Total equity	(P43,173,007,871)	P959,872,540	(P42,213,135,331)

Consolidated Statements of Comprehensive Income

December 31, 2019	Impact of Changes in Accounting Policies		
	Under PAS 17	Adjustments for PFRS 16	As Presented
Operating expenses	P18,516,788,194	(P687,015,791)	P17,829,772,403
Other charges	(122,355,499)	1,926,165,554	1,803,810,055
Income taxes	2,942,679,868	(135,646,718)	2,807,033,150
Net income	(7,876,290,823)	1,103,503,045	(6,772,787,778)
Total comprehensive income	(P7,657,017,357)	P1,103,503,045	(P6,553,514,312)

December 31, 2018	As Previously Reported	Adjustments for PFRS 16	Reclassification	As Restated
Net sales	(P140,918,008,228)	P -	(P221,253,190)	(P141,139,261,418)
Cost of sales	117,077,675,356	-	133,008,664	117,210,684,020
Operating expenses	17,840,239,472	(1,289,590,501)	88,244,526	16,638,893,497
Other charges	(203,921,315)	1,732,011,442	-	1,528,090,127
Income taxes	2,625,385,457	(122,200,907)	-	2,503,184,550
Net income	6,519,720,327	(320,220,034)	-	6,199,500,293
Total comprehensive income	P6,676,148,007	(P320,220,034)	P -	P6,355,927,973

December 31, 2018	Impact of Changes in Accounting Policies		
	As Previously Reported	Adjustments for PFRS 16	As Restated
Net income	P6,519,720,327	(P320,220,034)	P6,199,500,293
Weighted average number of ordinary shares	2,765,381,406	-	2,765,381,406
Basic/diluted EPS	P2.36	P0.12	P2.24

December 31, 2017	As Previously Reported	Adjustments for PFRS 16	Reclassification	As Restated
Net Sales	(P124,491,023,566)	P -	(P212,409,108)	(P124,703,432,674)
Operating expenses	15,515,628,653	(1,116,973,331)	212,409,108	14,611,064,430
Other charges	268,369,741	1,577,062,070	-	1,845,431,811
Income taxes	2,543,912,293	(113,998,884)	-	2,429,913,409
Net income	5,840,211,793	(346,089,855)	-	5,494,121,938
Total comprehensive income	P5,895,000,842	(P346,089,855)	P -	P5,548,910,987

December 31, 2017	Impact of Changes in Accounting Policies		
	As Previously Reported	Adjustments for PFRS 16	As Restated
Net income	P5,840,211,793	(P346,089,855)	P5,494,121,938
Weighted average number of ordinary shares	2,765,381,406	-	2,765,381,406
Basic/diluted EPS	P2.11	P0.13	P1.99

The adjustments in Operating expenses and Other charges for PFRS 16 comprise the following:

	2019	2018	2017
Operating expenses:			
Rent expense	(P2,435,528,446)	(P2,878,711,280)	(P2,439,500,259)
Depreciation and amortization	1,748,512,655	1,587,669,787	1,322,526,927
Miscellaneous expense	-	1,450,992	-
	(P687,015,791)	(P1,289,590,501)	(P1,116,973,332)
Other charges:			
Interest expense	P1,968,625,600	P1,769,861,632	P1,592,235,950
Gain from lease terminations	(42,460,046)	(37,850,190)	(15,173,880)
	P1,926,165,554	P1,732,011,442	P1,577,062,070

Consolidated Statements of Cash Flow

December 31, 2018	Impact of Changes in Accounting Policies		
	As Previously Reported	Adjustments for PFRS 16	As Restated
Operating Activities			
Income before income tax	P9,145,105,784	(P442,420,941)	P8,702,684,843
Depreciation and amortization	1,895,646,980	1,587,669,788	3,483,316,768
Rent expense in excess of billings	431,551,342	(431,551,342)	-
Gain from lease terminations	-	(37,850,190)	(37,850,190)
Increase in prepaid expenses and other current assets	(228,781,483)	4,469,212	(224,312,271)
Interest expense	174,596,536	1,769,861,632	1,944,458,168
Interest paid	(255,668,083)	255,668,083	-
Net cash provided by operating activities	6,908,877,860	2,705,846,242	9,614,724,102
Investing Activities			
Increase in other noncurrent assets	(229,363,439)	(130,569,952)	(359,933,391)
Net cash used in investing activities	(229,363,439)	(130,569,952)	(359,933,391)
Financing Activities			
Repayment of lease:			
Principal amount	-	(549,746,573)	(549,746,573)
Interest expense	-	(1,769,861,632)	(1,769,861,632)
Payment of interest expense	-	(255,668,083)	(255,668,083)
Net cash used in financing activities	P -	(P2,575,276,288)	(P2,575,276,288)

December 31, 2017	Impact of Changes in Accounting Policies		
	As Previously Reported	Adjustments for PFRS 16	As Restated
Operating Activities			
Income before income tax	P8,384,124,086	(P460,088,739)	P7,924,035,347
Depreciation and amortization	1,639,123,164	1,322,526,928	2,961,650,092
Rent expense in excess of billings	350,732,109	(350,732,109)	-
Gain from lease terminations	-	(15,173,879)	(15,173,879)
Increase in prepaid expenses and other current assets	(445,120,048)	(85,552,426)	(530,672,474)
Interest expense	129,697,000	1,592,235,950	1,721,932,950
Interest paid	(204,156,920)	204,156,920	-
Net cash provided by operating activities	7,540,356,650	2,207,372,645	9,747,729,295
Financing Activities			
Repayment of lease:			
Principal amount	-	(410,979,776)	(410,979,776)
Interest expense	-	(1,592,235,950)	(1,592,235,950)
Payment of interest expense	-	(204,156,920)	(204,156,920)
Net cash used in financing activities	P -	(P2,207,372,646)	(P2,207,372,646)

31. Events After Reporting Period

On March 8, 2020, under Proclamation 922, the Office of the President has declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the spread of the Corona Virus Disease 2019 (COVID-19). To manage the spread of the disease, the entire Luzon has been placed under an Enhanced Community Quarantine, effective from March 17, 2020 until May 15, 2020, which involved several measures including travel restrictions, home quarantine and temporary suspension or regulation of business operations, among others, limiting activities related to the provision of essential goods and services.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as at and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.

The Group remained vigilant as it identified potential risks to health and business operations posed by this pandemic to the general public and the necessity to join the collaborative effort in mitigating the spread of the virus. Its stores remained open to serve the public as those are considered contributors of essential services nationwide. In the face of this global crisis, the Group remains composed as it operates and maintains mitigation efforts to help safeguard the health and welfare of its employees and customers. The Group does not consider the event as a going concern issue.



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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of **Puregold Price Club, Inc. and Subsidiaries** (the "Group") as at and for the year ended December 31, 2019, on which we have rendered our report dated May 22, 2020.

- Supplementary Schedules of Annex 68-E
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Company

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Group taken as a whole. The supplementary information is the responsibility of the Group's management.

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 1387-AR-1, Group A, valid until May 31, 2020
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116763
Issued January 2, 2020 at Makati City

May 22, 2020
Makati City, Metro Manila



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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Puregold Price Club, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated May 22, 2020.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2019 and 2018 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 1387-AR-1, Group A, valid until May 31, 2020
Tax Identification No. 912-365-765
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May 22, 2020
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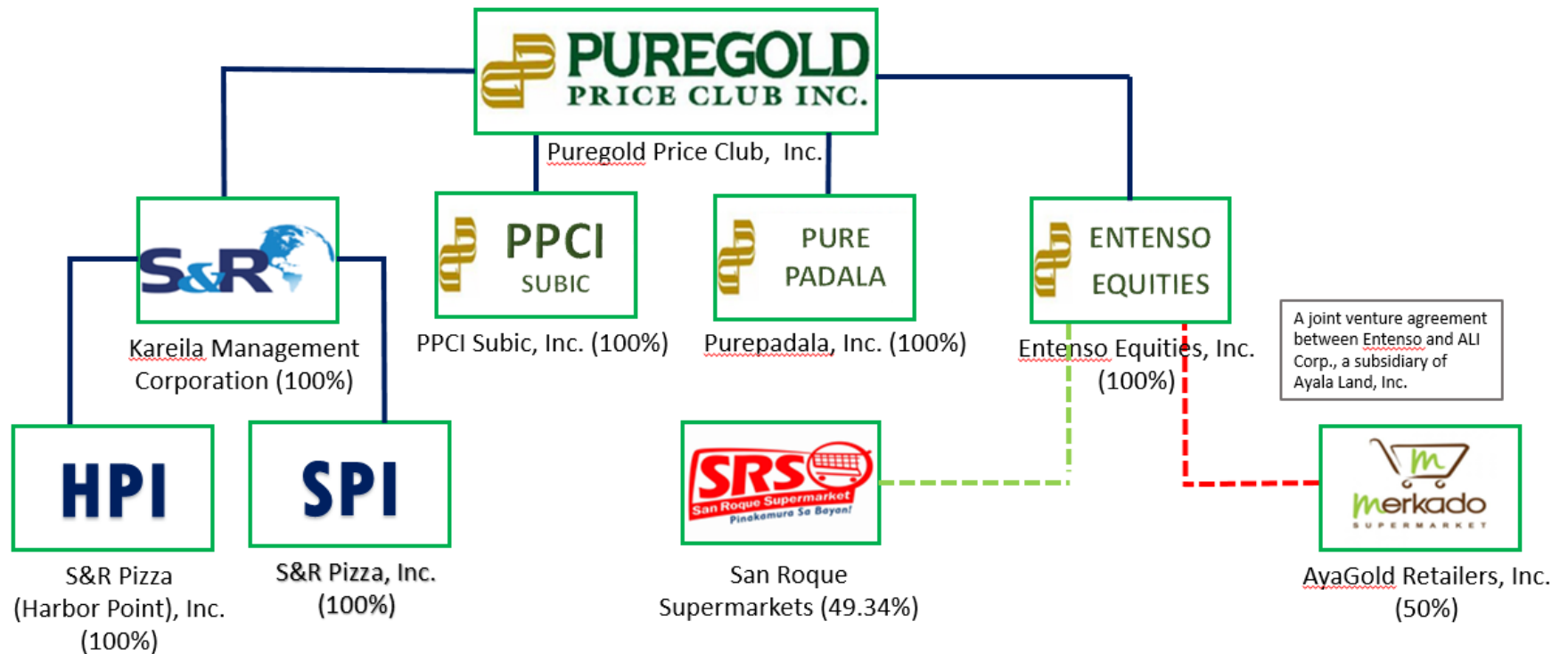
Puregold Price Club Inc. and Subsidiaries
As of December 31, 2019

Ratio	Formula	Years ended December 31	
		2019	2018
Current ratio	Total Current Assets divided by Total Current Liabilities		
	Total current assets P40,040,354,750		
	Divide by: Total current liabilities 15,490,808,780		
	2.58	2.58	1.98
Acid-test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		
	Total current assets P40,040,354,750		
	Less: Inventories 19,526,196,704		
	Other current assets 720,226,148		
	Quick assets 19,793,931,898		
	Divide by: Total current liabilities 15,590,808,780		
	Acid-test ratio 1.28	1.28	0.85
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities)		
	Net income P6,772,787,778		
	Add: Depreciation and amortization 3,780,806,466		
	Total 10,553,594,244		
	Divide by: Total liabilities 46,735,447,825		
	Solvency ratio 0.23	0.23	0.20
Debt-to-equity ratio	Debt-to equity ratio (Total liabilities over total equity)		
	Total liabilities P46,735,447,825		
	Divide by: Total equity 61,899,349,933		
	0.76	0.76	0.90
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity)		
	Total assets P108,634,797,758		
	Divide by: Total equity 61,899,349,933		
	1.76	1.76	1.90

Annex A

Ratio	Formula	Years ended December 31	
		2019	2018
Interest rate coverage ratio	Interest rate coverage ratio (Profit before interest and taxes over interest expense)		
	Profit before interest and taxes P11,648,306,103	5.63	5.48
	Divide by interest expense 2,068,485,175		
	5.63		
Return on equity	Return on Equity (Net Income by Total Equity)	0.11	0.12
	Net income P6,772,787,778		
	Divide by: Total equity 61,899,349,933		
	0.11		
Return on assets	Return on Assets (Net Income by Total Assets)	0.06	0.06
	Net income P6,772,787,778		
	Divide by: Total assets 108,634,797,758		
	0.06		
Net profit margin	Net profit margin (Profit over net sales)	4.38%	4.39%
	Net income P6,772,787,778		
	Divide by: Net sales 154,490,309,082		
	4.38%		
Other ratios	Operating profit margin (Operating profit over net sales)	7.37%	7.25%
	Operating profit P11,383,630,983		
	Divide by: Net sales 154,490,309,082		
	7.37%		

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Map of Group of Companies Within which the Company Belongs
As at December 31, 2019



Legend:

- **Subsidiary**
- - - **Joint Venture**
- - - **Investment in Associate**

Notes:

Purepadala, Inc. – Recently incorporated in October 2018

NE Budget Lane and Goldtempo Stores previously under Entenso Equities, Inc. have been merged with PPCI-Parent effective January 1, 2018

All shares in investment in Joint Venture PG Lawson Inc. have also been sold during the year

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIAL ASSETS

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued
Cash in banks and cash equivalents	N/A	P17,083,459,430	P17,083,459,430	P150,403,572*
Receivables - net	N/A	2,675,551,867	2,675,551,867	-
Security deposits	N/A	2,072,158,962	2,072,158,962	- *
Financial assets at FVOCI	726,166	7,879,160	7,879,160	- **
Investment in trading securities	1,002,192	34,920,601	34,920,601	(1,581,991)***
	P1,728,358	P21,873,970,020	P21,873,970,020	P148,821,581

Notes:

*This represents interest income earned, net of final tax

**This represents dividend income

*** This represents unrealized valuation (loss) on trading securities

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

**SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND
PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).**

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
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NOT APPLICABLE

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
Kareila Management Corporation	P475,000,000	P475,000,000	P475,000,000	P -	P475,000,000	P -	P475,000,000
Puregold Price Club, Inc.	10,016,237	74,925,615	74,925,615	-	74,925,615	-	74,925,615
	P485,016,237	P549,925,615	P549,925,615	P -	P549,925,615	P -	P549,925,615

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
Goodwill	P14,902,423,321	P -	P -	P -	P -	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	177,985,058	-	-	-	-	177,985,058
Leasehold rights	51,113,794	-	-	-	-	51,113,794
	P19,730,635,701	P -	P -	P -	P -	P19,730,635,701

SCHEDULE E. LONG TERM DEBT

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	Metropolitan Bank and Trust Company	P400,000,000	P -	P400,000,000	3.5%	N/A	
Totals		P400,000,000	P -	P400,000,000			

SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
-----------------------------	--------------------------------	-------------------------------

NOT APPLICABLE

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
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NOT APPLICABLE

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

SCHEDULE H. CAPITAL STOCK

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of treasury common shares	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	3,000,000,000	2,904,214,086	(34,532,680)	1,425,418,397	443,489,454	-
Totals	3,000,000,000	2,904,214,086	(34,532,680)	1,425,418,397	443,489,454	-

PUREGOLD PRICE CLUB, INC.
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2019

*Figures are based from Parent
Company's Financial
Statements*

Unappropriated Retained Earnings, beginning	P19,823,813,498
Adjustments in previous year's reconciliation	120,424,736
Unappropriated Retained Earnings, as adjusted, beginning	19,944,238,234
Net Income based on the face of audited financial statements	4,218,206,227
Less: Non-actual/unrealized income net of tax	
Equity in net income of associates	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Equity in net income of a joint venture	-
PFRS 16 adjustment on DTA	(2,216,337,144)
Deferred tax benefit	208,481,885
Fair value adjustments (M2M gains)	(1,581,991)
Fair value adjustments of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Sub-total	(2,009,437,250)
Add: Non-actual losses	
Deferred tax expense	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actually earned during the period	2,208,768,977
Add (Less):	
Dividends declared and paid during the year	(2,301,565,608)
Appropriations of Retained Earnings during the year	-
Treasury shares	-
Unappropriated Retained Earnings, as adjusted, ending	P19,851,441,603

Annex "C" PUREGOLD SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Cosco Capital, Inc. and Puregold Price Club, Inc.
Location of Headquarters	No. 900 Romualdez St., Paco, Manila 1007
Location of Operations	Nationwide – Philippines
Report Boundary: Legal entities (e.g. subsidiaries) including in this report*	Cosco Capital, Inc. including all its subsidiaries namely, Puregold Price Club, Inc. (and its subsidiaries namely, Kareila Management Corporation (S&R Warehouses and S&R Pizza, Inc., Entenso Equities, Inc.), Office Warehouse, Inc., Montosco, Inc., Meritus Prime Distributions, Inc., Premier Wine and Distributions, Inc., Ellimac Prime Holdings, Inc., Nation Realty, Inc., Patagonia Holdings, Inc., NE Pacific Shopping Center, Pure Petroleum Corp., Fertuna Holdings Corporation and Alcorn Petroleum and Minerals Corporation.
Business Model, including Primary Activities, Brands, Products, and Services	Cosco Capital, Inc. is an investment holding company. It has a diversified portfolio of business interests in retail, real estate, liquor distribution, and oil and mining exploration.
Reporting Period	2019
Highest Ranking Person responsible for this report	Atty. Candy H. Dacanay – Datuon Compliance Officer

**if you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your receipt boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

The company identifies its principal business activities that contribute a significant impact on the environment, economic, and social phases of our society. Its principal business activities include logistics in the delivery of products in and out of stores, employing hundreds of employees, supermarket operations from the display of products to check them out in the cash registers, among others.

This report is a consolidation of all available data on specific relevant and material sustainability topics. It provides detailed performances of the entire organization that has an impact on the environment, economy, and society.

The adaptation of sustainability reporting is relatively new to the organization. We considered all the best practices and standards to disclose our non-financial information. In this report, the guiding principle of SASB (Sustainability Accounting Standards Board) for sustainability reporting was used. The SASB guidelines and standards are found to be more practical and straightforward for us as a new company to implement sustainability reporting. The Securities and Exchange Commission (SEC) Memorandum Circular 2019-04 was also utilized as guidelines.

The management's goals and targets are also presented to help achieve the UN Sustainability Development Goals. An ad-hoc team was created to gather data, monitor and identify materiality topics, and approved by the top executives of the company.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	169,252,448,743	Php
Direct economic value distributed:		Php
Operating costs	19,016,648,871	Php
Employee wages and benefits	2,661,124,826	Php
Payments to supplier, other operating costs	152,071,052,886	Php
Dividends given to stockholders and interest payments to loan provider	3,062,675,592	Php
Taxes given to government	4,799,602,383	Php
Investments to community (e.g. donations, CSR)	6,751,159	Php

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company's continuing and sustained expansion and establishments of new supermarkets and warehouse clubs in various geographic locations nationwide serve as a catalyst for and directly generates new and incremental economic activities to the local communities by way of generating employment and livelihood, a financial boost to the local government unit's revenue, enhanced shopping experience to customers, incremental business and opportunities for local producers and suppliers and enhanced livelihood through partnerships with small enterprise in the community	Customers Suppliers Employees Community Government Shareholders	The company plans to expand in areas of the country where it is not yet present and, at the same time, improve its operation in the existing market to be able to generate more of economic activities that positively impact our stakeholders.

through its reseller TNAP and "ka-industriya" program.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
(a) Market risk which includes competition, supply, credit, and pricing. (b) Regulatory and compliance risk (c) Environmental risk Please see the discussion of risks in the company's Annual Report.	Customers Suppliers Employees Community Government Shareholders	The company will continue to manage to mitigate the risks and challenges associated with its business to maintain its dominance in the grocery retail industry and its sustained growth and profitability. 1 - The company will continue to innovate itself to address the changing behaviors of our customers. We will be more effective in giving our customers satisfying and valuable shopping experience, in our stores and online. 2 - We will remain to be reliable business partners to our national and local suppliers through more robust and pro-active collaborations in promoting their products. We will continue to pursue a more efficient supply chain across all our stores and enable a strategic control on logistics costs in moving around products to counter relative price pressures due to logistical costs. 3 - The company will be more conscientious in compliance with regulatory measures as we see more government interventions in the future. 4 – The company plans to be more active in community activities like strengthening

		our TNAP and Ka-Industriya reseller programs and the Perks program for direct customers. 5 - The company will continue giving cash dividends to our shareholders, and at the same time, it will be more meticulous in ensuring our investments to be always value-accretive.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
The company sees an excellent opportunity to invest in technology platforms such as online grocery shopping and store-to-door delivery.	Customers Suppliers Employees Community Government Shareholders	The company will heavily invest both in technology and human capital. The company sees the combination of reliable technology and trained employees to be a competitive advantage in any industry, but most especially now in the retail industry, as customer behaviors are changing rapidly and the competition is getting more aggressive than before.

Climate-related risks and opportunities:

The company identifies the following as the climate-related risks that are most material in its retail operation:

1. The use of plastic bags as a package container of our customers when they buy items from our stores. Out of more than 400 stores, few stores are using recyclable cartons for packaging in compliance with the regulations of local government units having jurisdiction of the area.

2. Food wastes and other solid waste from our stores. Most of our stores have food or fresh section where we process meat, fish, and other poultry products. The scraps coming from preparing this food goes to containers of third-party accredited solid waste haulers to the landfill.

3. The energy consumption of our stores and the fleet of vehicles we use to transfer our merchandise, including the vehicles used by our third-party logistics and suppliers, are vital in our operation. Still, they cause or contribute to various levels in releasing climate-damaging emissions. The company uses gas and diesel to run its vehicles, and only three out of more than 400 stores are getting sources from renewable solar energy.

The company is not unmindful of the effects of its operation on our environment. The company produces wastes that, if not disposed of properly, will further contribute to the worsening pollution in the land, the water and in the air.

Also, the company is not oblivious to the fact that it is benefitting from the use of fossil fuels in running its vehicles and electricity sources to energize its stores without accounting for the environmental impact or costs.

We recognize that changing our practice to be sustainable may cause additional costs in our operation and may affect the reputation of the company if we don't.

We see climate change as a global problem but has a local effect. Like any other business, the company will thrive only in a society that is healthy and growing and will perish if the community where it operates crumples. The effects of climate change will be experienced first in the city and municipality level, where the majority of our business activity takes place. It thus makes a good case that we level up our response from regulatory compliance into taking initiatives in reducing factors that could worsen the current climate problems.

The company is looking at mitigation and adaptation as the primary strategy in addressing these climate risks. In the next 24 to 36 months, the company will come up with its comprehensive "Climate Change Response Program" that will lay down the company's initiatives, strategies, assessment, and targets in response to this global call for all corporate citizens to act in keeping global warming well below 2°C.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Not monitored	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company is working with over 2,000 merchandise suppliers and third-party service providers to keep more than 400 stores operating daily. The company helps small and	Suppliers Customers Community	The company aims to be more efficient and sustainable in its supply chain by providing adequate training to its employees and through effective technology.

medium suppliers bringing their produce to the supermarket. The company and the entire supply chain produce more than 60,000 livelihoods and employment across the country.		The company will keep on assisting small and medium entrepreneurs and suppliers to make their products available to all our store networks by providing them more access to our various distribution channels. The company aims to maintain healthy and strong collaboration with its suppliers. The more efficient we become in our supply chain, the better we can reduce our costs and improve our product mix. All of that will give our customers a better shopping experience.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
(1) Inaccurate forecasting and monitoring of products (2) Delay in the delivery of products and services (3) Lack of capacity to check the quality of products and services.	Suppliers Customers	The company will continue to improve supplier selection to ensure that it is dealing with suppliers that produce quality products and its stock monitoring to optimize inventory.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
To improve the packaging of products offered by small-medium suppliers to make them more sustainable and enticing to customers. To build stronger relationships with our service providers by assisting them with training and technology support to make them more effective in their job.	Suppliers Customers	The management will continue to collaborate with our small and medium suppliers and assist them in growing their business with us.

Anti-corruption
Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	No data	%
Percentage of employees that have received anti-corruption training	43	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The impact may happen within the organization, especially between suppliers and the employees working closely with our suppliers.	Suppliers Employees	The company shall make controls effective by simplifying them and making all processes more transparent to both suppliers and employees. The company shall continue with the orientation and strict implementation of anti-corruption policies and procedures.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Employees may commit fraud or corruption due to a lack of control and transparency in recording of transactions with suppliers.	Employee Supplier	The company shall revise the anti-corruption policy and procedure and re-orient the employees and suppliers.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
None	None	None

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	1	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Employees of higher rank and employees working with third-party suppliers are exposed to opportunities for corruption or fraud.	Employees	The company shall revisit its anti-corruption policies and procedures and train employees to abide by it.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Employees are at risk of corruption as long as the opportunity to do so exists in the organization.	Employees	The company commits to being more effective in its internal controls to purge opportunities to commit corruption or fraud.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
None	None	None

ENVIRONMENTAL

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	6,167.36	GJ
Energy consumption (gasoline)	Not monitored	GJ
Energy consumption (LPG)	10,999.11	GJ
Energy consumption (diesel)	69,050.35	GJ
Energy consumption (electricity)	257,634,166.63	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (renewable sources)	Not monitored	GJ
Energy reduction (gasoline)	Not monitored	GJ
Energy reduction (LPG)	Not monitored	GJ
Energy reduction (diesel)	Not monitored	GJ
Energy reduction (electricity)	1,713,156.72	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company's store operations depend heavily on the use of electricity from the local electrical grid available in the area where we operate. The logistics of our merchandise throughout the supply chain use either gasoline or diesel to run the vehicles.	Employees Customers Community Government	The company will establish an Energy Management Program that will tackle how the company will address this material topic.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
With our rapid expansion, we may not be able to catch up, including the suppliers in the supply chain, in making our energy use efficient and sustainable.	Employees Customers Community Government	The company will establish an Energy Management Program that will tackle how the company will address this material topic.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach

To build greener store structures to conserve the use of electricity.	Employees Customers Community Government	The company will establish an Energy Management Program that will tackle how the company will address this material topic.
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Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	Not monitored	cubic meters
Water Consumption	2,310,796.62	cubic meters
Water recycled and re-used	Not monitored	cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Depletion of water resources as many users are competing, especially in the highly urbanized areas where the majority of our stores are located.	Community Employees Customers	The company has existing programs in water conservation, water re-use program of treated wastewater, and the use of rainwater for cleaning our facilities. The company plans to expand and enhance those programs.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Water scarcity	Community Employees Customers	The company shall launch extensive water conservation programs involving as much as possible all stores and offices.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
(1) Reduction of water consumption through water conservation programs. (2) Adopting technologies to enhance existing waste	Community Employees Customers	The company shall launch extensive water conservation programs involving as much as possible all stores and offices.

treatment facilities to maximize water re-use.		
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Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	N/A	
• Renewable		kg/liters
• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not Applicable	Not Applicable	Not Applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not Applicable	Not Applicable	Not Applicable
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
Not Applicable	Not Applicable	Not Applicable

Ecosystem and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	
IUCN Red List species and national conservation list species with habitats in affected by operations	N/A	

*International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not Applicable	Not Applicable	Not Applicable

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not Applicable	Not Applicable	Not Applicable
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
Not Applicable	Not Applicable	Not Applicable

Environmental Impact Management
Air Emissions
GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	206,510.8	Tonnes CO2e
Energy Indirect (Scope 2) GHG Emissions	Not monitored	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	Not monitored	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Transport fleets and energy consumption of the company directly contribute to GHGs.	Community	The company will identify sources of emissions and implement programs to reduce GHG's contributions.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
(1) The possible penalty for non-compliance with government environmental laws and regulations. (2) Phasing out of obsolete equipment that directly contributes to GHG emissions. (3) Changing customer behavior or shift in consumer preferences due to increasing awareness of the importance of sustainability. (4) Extreme weather events	Community Government	The company will continue to comply with Republic Act No. 8749 or the Clean Air Act, Republic Act No. 9275 or the Clean Water Act and Republic Act No. 6969 or the Toxic Substances and Hazardous Wastes and Nuclear Wastes Control Act. The company will be more active in participating in renewable energy programs and adopting energy-efficiency measures promoted by the Department of Energy.

(5) Water shortage		The company has already started replacing old equipment with lower GHG emissions and using renewable and clean energy sources like solar power and will continue to do so. The company will be more efficient in constructing store and office structures by preferring sustainable solutions. The company will create water programs advocating its conscientious usage.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
None	None	None

Air pollutants

Disclosure	Quantity	Units
NOx	13.96 (from gensets only)	kg
Sox	Not monitored	kg
Persistent organic pollutants (POPs)	Not monitored	kg
Volatile organic compounds (VOCs)	Not monitored	kg
Hazardous air pollutant (HAPs)	Not monitored	kg
Particular matter (PM)	Not monitored	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company's transport fleets and generation set ('gensets') contribute to air quality degradation.	Community	The company will adequately operate and maintain all emission sources.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The company's possible violation of Republic Act	Community Government	The company will abide by the provisions of Republic

No. 8749 or the Clean Air Act.		Act No. 8749 or the Clean Air Act.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
The use of more efficient genset machines and transport systems.	Community Employees Supplier	The company will assess the means of how it can implement the opportunities herein identified.

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	6,196,878.81	Kg
Reusable	Not monitored	kg
Recyclable	Not monitored	kg
Composted	Not monitored	kg
Incinerated	Not monitored	kg
Residual/Landfilled	Not monitored	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company and the rest of its supply chain produce solid waste that directly goes to landfills and may have an impact on water bodies.	Community	The company shall implement recycling programs and be stricter in proper solid waste disposal.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The improper solid waste disposal affects the environment and may affect the company's reputation.	Community	The company shall implement recycling programs and be stricter in proper solid waste disposal.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
Adopt a proper solid waste management program, which includes recycling that can be an additional source of income.	Community	The company shall assess and find the means to implement the opportunities herein identified.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	45,573.338	kg
Total weight of hazardous waste transported	45,573.338	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Improper disposal of hazardous waste can affect the environment, the health, and the safety of the employees and the community.	Employees Community	The company shall have a stricter policy on proper handling and disposal of hazardous wastes.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possible violation of Republic Act No. 6969 or the Hazardous Waste Act.	Employees Community	The company shall abide by the provisions of Republic Act No. 6969 or the Hazardous Waste Act.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
Conversion from hazardous to non-hazardous materials or equipment such as regular bulbs to led lights.	Employee	The company shall assess and find the means to implement the opportunities herein identified.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	2,079,716.958	cubic meters
Percent of wastewater recycled	Not monitored	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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If no treatment facility, the company water discharges will contribute to water quality degradation in the community where it operates.	Community	The company shall have more wastewater treatment facility.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possible violation of Republic Act No. 9275 or the Clean Water Act.	Community Employees	The company shall abide by the provisions of Republic Act No. 9275 or the Clean Water Act.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
Water reduction by maximizing the STP's capability through water re-use.	Employees Community	The company shall adopt wastewater re-use.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	210,000	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	10	#
No. of cases resolved through dispute resolution mechanism	5	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Violation of environmental laws is just a consequence of damage already committed against the environment.	Community Government	The company shall keep on identifying the cause of the violation and resolve it with immediate and permanent compliance.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Damage to the environment and damage to the company's reputation.	Community Government	The company shall comply with environmental laws and enhance its

		environmental policies and practices.
What are the Opportunity/ies Identified	Which stakeholders are affected?	Management Approach
No opportunity identified	None	None

SOCIAL

Employee Management
Employee Hiring and Benefits
Employee Data

Disclosure	Quantity	Units
Total number of employees	10,875	
A. Number of female employees	6,058	#
B. Number of male employees	4,817	#
Attrition rate	23%	
Ratio of lowest paid employee against minimum wage	0	

Employee benefits

List of Benefits	Y/N	% of female employee who availed for the year	% of male employee who availed for the year
SSS	Y	Maternity 8%	N/A
		Sickness 6%	Sickness 4%
		Loan 24%	Loan 24%
PhilHealth	Y	Personally-filed by employees	
Parent leaves	Y	Solo Parent Leave 2%	Solo Parent Leave .30%
			Paternity Leave 3%
Vacation leaves	Y	74%	78%
Sick leaves	Y	46%	48%
Medical benefits (aside from PhilHealth)	Y	65%	35%
Housing assistance (aside from Pag-Ibig)	N	0%	0%
Retirement fund (aside from SSS)	Y	0.10%	0%
Further education support	Y	0.20%	0.21%
Company stock options	N	0%	0%
Telecommuting	N	0%	0%
Flexible-working hours	N	0%	0%
(Others)	Y - Compressed workweek for HO female and male employees		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The employees' over-all welfare is crucial as they are primarily involved in the daily operation of the business. We cannot operate our business without our employees. The employees rely on the company as a source of their livelihood. All employees are working full-time for the company.	The company ensures that employees can avail of the benefits guaranteed to them under the law. The company ensures the safety and health of employees by complying with the labor and welfare standards and policies implemented by the Department of Labor and Employment such as the Occupational Safety and Health Standards, Minimum Wage Law, Anti-sexual harassment Policy Company Policy & Rule on STD/HIV/AIDS Drug-Free Workplace Policy, among others.
What are the Risk/s Identified?	Management Approach
The risk of not being able to retain and attract the right talents.	The company shall improve its employee training and development programs and performance-based merit increase in ensuring that compensation of employees remains to be competitive.
What are the Opportunity/ies Identified	Management Approach
To engage the working force that is in their optimal health state.	To adopt policies that can develop a more profound sense of belongingness and commitment for this generation's younger employees.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
A. Female employees	74,850	hours
B. Male employees	41,354	hours
Average training hours provided to employees		
A. Female employees	16	hours/employee
B. Male employees	16	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
There is no formal education or course that teaches retail operations; thus, the training of our employees is vital in keeping them knowledgeable and efficient in store operations.	The company shall enhance the quality and quantity of its existing employees' training and development program and expand the same to all levels of employees.
What are the Risk/s Identified	Management Approach
Rapid expansion may limit the employees' required training in store operations.	The company plans to expand the coverage of the training of its employees. The training of employees shall be ahead of store openings.
What are the Opportunity/ies Identified	Management Approach
Expansion of mandatory training courses and development of assessment for these courses.	The company will support more employee training programs and the use of technology in the training of employees. The company will conduct a regular assessment to monitor the effectiveness of these training courses.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreement	N/A	%
Number of consultations conducted with employees concerning employee-related policies	1	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Harmony between the management and employees is vital in achieving company goals and targets.	The company shall create a policy that will foster a stronger bond between labor and management. The company shall maintain its strong and effective leadership to manage a large organization like ours.

	The harmonious relationship between management and employees has always been a vital element in achieving our company goals and targets.
What are the Risk/s Identified	Management Approach
The failure of the management to act on employees' grievances may lead to their non-productivity and lack of initiative.	The company has an existing Employee Relation/Industrial Relation section, where employees and management can discuss their issues or differences.
What are the Opportunity/ies Identified	Management Approach
Increase in management engagement with employees' activities. Monitor consultations conducted with employees concerning employee-related policies.	The company shall develop a positive and productive organizational culture that creates a climate for harmonious interaction between the management and employees.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	64	%
% of male workers in the workforce	36	%
Number of employees from indigenous communities and/or vulnerable sector ¹	2 – PWD 120 – Solo Parent	#

What is the impact and where does it occur? What is the organization's involvement in the impact	Management Approach
More than half of the workforce of the company are female.	The company will maintain its culture of diversity and inclusion in selecting its employees. The company shall have programs that understand females' various needs and supportive of their role as mothers.
What are the Risk/s Identified	Management Approach
No identified risks.	Not applicable.

¹ Vulnerable sector includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

What are the Opportunity/ies Identified	Management Approach
To be more productive and creative as the workforce become more diverse and gender-inclusive.	The company shall set avenues for employees to collaborate and discuss their ideas freely.

Workplace Conditions, Labor Standards, and Human Rights
Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	18.1M	Man-hours
No. of work-related injuries	7	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	350	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Our workforce is vital in our operation. Maintaining a safe working place and keeping them fit is a necessary condition in having a smooth business operation.	The company complies with labor standards set by the Department of Labor and Employment that ensure occupational health and safety of employees. A safe and healthy workforce is an asset to any company. A safe working place also eliminates the company's potential expense in paying for injuries and damages and the incalculable loss in time and money brought by the interruption in the store operation.
What are the Risk/s Identified	Management Approach
The company has a risk of having a second-rate store structure caused by subcontracting store constructions and leasing store premises from third – parties and the risk of fire that may cause damage to our property and severe injury to our employees.	The company is engaging the services of construction companies with reliable experience and classified as triple-A or having good standing with the Philippine Construction Accreditation Board. Structures of leased premises are being examined before using them. The company is compliant with the fire regulations issued by local government units where stores are located.
What are the Opportunity/ies Identified	Management Approach

None.	None.
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Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference int the company policy
Forced Labor	N	
Child Labor	N	
Human Rights	Y	Anti-sexual Harassment Policy Company Policy & Rule on STD/HIV/AIDS Drug-Free Workplace Policy

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
All employees of the company are of legal age. No employee is below 18 years old. And all employees are literate.	The company shall keep on complying with the provisions of the Labor Code of the Philippines and maintain its good standing with the Department of Labor and Employment. The company shall reinforce the implementation of its whistleblowing policy to protect its employees against any human rights violation.
What are the Risk/s Identified	Management Approach
The company's operations are present across the islands of the Philippines. The occurrence of human rights violations might be happening in far branches without the management immediately knowing it.	The company shall strictly implement its whistleblowing policy in all stores of the company. The company shall integrate human rights courses in the training module of employees.
What are the Opportunity/ies Identified	Management Approach
None	None

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy. Yes, please see attached.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite a reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child Labor	N	
Human rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We have more than 2,000 suppliers of merchandise and several third-party providers whom we all consider our partners in our business. Like our employees, their roles are vital in our operation.	The company works with suppliers with efficiency. It has several methods of delivery or logistics that vary depending on the size and capacity of the suppliers to ensure their timely delivery to us and their profitability as well. A significant portion of the management team is working closely with our suppliers. The company gives close attention to our suppliers to ensure stock availability and services in our stores. The company will keep on ensuring that company values are aligned with the values or practices of our suppliers.
What are the Risk/s Identified?	Management Approach
There are many suppliers in the supply chain and that the company cannot possibly monitor each one of them if they are sustainable in their processes. The supply chain is exposed to several factors like government regulations, scarcity of raw materials, traffic congestion, climate change. All of these may affect the delivery of products and services to our stores.	The company is relying on reliable technology to monitor the suppliers, and it established its distribution centers to stock up its merchandise if needed.

What are the Opportunity/ies Identified	Management Approach
To build our house brands for some merchandise.	The company is meticulously balancing its act of offering its house brands to customers taking into consideration the reputation risk embedded into it and the possible protest from existing suppliers.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have an impact on indigenous people (Y/N)?	Collective or individual have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Use of plastic	All stores	N	N	N	We comply with LGUs regulations that prohibit the use of plastic as packaging for items brought from the supermarkets. We are also promoting the use of recyclable bags in our stores. We are studying more ways we can address this problem.
Food Safety	All stores	N	N	N	The company has a systematic

					way of tracking expired or near expiry merchandise. However, we are drafting a Food Safety Policy to address this material topic.
Food Waste	All stores				The company is complying with the Solid Waste Act. But it is in the process of establishing its Food Waste Management Program to address this material topic.
Data Security	All stores and offices	N	N	N	The company has a Data Privacy Policy, but it needs to be re-assessed to check its effectiveness.
Management of Environmental and Social Impacts in the supply chain	All stores	N	N	N	The company will adopt an effective Supply Chain Management Policy to address this material topic.
Fleet Fuel Management	All stores and offices	N	N	N	The company is preparing an Energy Management Policy to

					address this topic.
Air Emissions for Refrigeration	All stores and offices	N	N	N	The company is preparing an Environmental Compliance Policy to address this topic.
Energy Management	All stores and offices	N	N	N	The company is preparing an Environmental Compliance Policy to address this topic.
Labor Practices	All stores and offices	N	N	N	The company is compliant with labor laws. But the company is still preparing for a comprehensive Labor Practices Manual to address this material topic.

*Vulnerable sector included children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents and the poor, or the base of the pyramid (BOP; Class D and E).

For operations that are affecting Ips, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: None

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
N/A	N/A

What are the Opportunity/ies Identified	Management Approach
N/A	N/A

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	No available data	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Our stores serve millions of customers daily. We are their source of basic needs and other essential supplies.	We must build a good relation and impression on our customers. Happy customers are most likely to return and shop for more with us.
What are the Risk/s Identified?	Management Approach
(1) Failure to meet customers' expectations, serve their demands, or attend to their complaints may reduce sales for the company. (2) Mistakes or errors of suppliers in their products may be regarded as caused by the company. (3) Exposure to social media can easily affect our reputation. (4) Increased competition vying for the same market.	Customer service has always been part of the training of our store employees. The company needs to provide a quick feedback mechanism for our customers. The company is preparing a Customer Service Program that will demonstrate how we can monitor the satisfaction level of our customers and how we should respond to their expectations, demands, and complaints.
What are the Opportunity/ies Identified	Management Approach
To lead our customers to become sustainable shoppers and choose healthy and more nutritious food.	The company is preparing a Food Safety Program and other Sustainable programs that will cover taking care of the health of our customers and teaching them to contribute in the fight against climate change by recycling and properly disposing or segregating their wastes at home.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	11	#
No. of complaints addressed	On-going	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Thousands of customers visit our stores daily. It is expected that we not only provide our customers with what they want and need it is much more expected that our stores are safe and our employees are healthy.	Our store structures are compliant with the Building Code and other regulations issued by local government units regulating concrete structures. Likewise, all our employees are fit to work and always ready to serve the customers. To further ensure safety in our stores, the company is preparing a Store Safety Program that will provide for more stringent safety measures across our stores.
What are the Risk/s Identified?	Management Approach
Any injury to customers while in store premises may cause expense to the company, and that social media may augment its effect and create damage to company's reputation.	We are keeping all stores insured against damages and injuries. We have safety policies that provide more stringent measures than the safety standards prescribed by the government agencies.
What are the Opportunity/ies Identified	Management Approach
No identified opportunity	Not applicable

Marketing and labeling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labeling*	0	#
No. of complaints addressed	0	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Our customers rely on the marketing and labeling of the products we display in our stores for its safety, nutrition, taste, or effectiveness. The company is at the forefront of persuading customers to purchase certain products.	The company is preparing a Food Safety Program that will define the role of the suppliers and the company in ensuring that our customers are given correct information about the products they see on our display.
What are the Risk/s Identified?	Management Approach
Customers might suffer an injury caused by incorrect labeling or expired products still for sale in our stores. Social media may augment its effect and create damage to the company's reputation.	To have a systematic way of monitoring the expiration dates of our merchandise and train our employees to identify incorrect labeling of products quickly. The company is preparing a Food Safety Program that will address this topic.
What are the Opportunity/ies Identified	Management Approach
No identified	Not applicable

Customer privacy and Data Security

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts, and losses of data	1	#

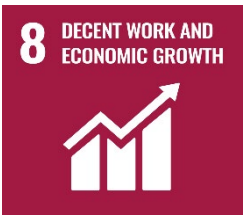
What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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Customers' data are shared with the company when they purchased goods using credit or debit cards or apply for membership in S&R or any perks programs with Puregold.	The company complies with the Data Privacy Act of 2012, which enumerates the rights of the data subjects. The company has to strengthen the practice and the mindset of its employees in considering personal data as property owned by the data subjects. Like any other property, it cannot be used without the owner's consent.
What are the Risk/s Identified?	Management Approach
(1) Data breach may expose the company to government sanctions. (2) Loss of important data or information brought by technical glitches.	The company will keep on investing in the training of employees and reliable technology to protect its data and to avoid a data breach.
What are the Opportunity/ies Identified	Management Approach
No identified opportunity.	Not applicable.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Product and Services	Societal Value/ Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Retail Operation	 8 DECENT WORK AND ECONOMIC GROWTH	Thousands of employees depend on the company for their jobs and livelihood. If the company does not provide them with decent work, the lives of these employees and their families will not improve, and they will be most likely to suffer from poverty, inequality, and even abuse.	The company will continue providing decent jobs for all its employees by developing their skills, paying them a living wage, and making them more productive. The company will ensure all employees are covered with benefits mandated by law, and their safety and security are protected. The company will continue to expand and create more decent jobs to help the economy to grow further.
	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	The company potentially contributes to the world's problems of food waste, greenhouse gas emissions, and even the increasing cases of obesity.	Our company is the market for manufacturers and consumers. We are in a position to demand or influence responsible and sustainable consumption and production from each side. The company shall take advantage of such a role to promote responsible consumption and

			production. It is in a position to require its suppliers to be sustainable and encourage its consumers to change their shopping and eating behavior and make them more inclined to support sustainable products and to eat more healthy food.
		(1) The use of plastic bags as a package container of our customers when they buy items from our stores; (2) Food waste and other solid waste from processing food in our stores; (3) Fuel consumption of our stores and the fleet of vehicles we use to transfer our merchandise, including the vehicles used by our third-party logistics and suppliers. All contribute to various levels of air, water, and land pollution.	As our business is located in a third-world country and even along the path of several storms every year, it is very vulnerable to experience the effects of climate change. Thus, we must manage our business activities to a level that has the minimum damaging impact on our environment by investing in low-carbon development and practicing recycling and even promote recycling to its customers, suppliers, and in the communities where it operates.

*None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

SUPPLIER ACCREDITATION POLICIES & PROCEDURES

1.0 OBJECTIVES	1.1 To provide policies and processes for supplier selection and requirement for accreditation to be strictly complied with by the authorized company personnel. 1.2 To ensure to establish lasting relationship with the accredited suppliers who are capable to maintain the standard quality of products and services.
2.0 SCOPE	2.1 This document covers the policies and processes for SUPPLIERS OF TRADE MERCHANDISE particularly on the: 2.1.1 Selection and Accreditation 2.1.2 Information Updates and Maintenance 2.1.3 Performance Evaluation 2.2 This is applicable only to all Puregold Price Club, Inc. stores.
3.0 POLICIES	3.1 The Company upholds honesty, integrity, and fairness in all aspects of its business and expects the same in its relationships with its Suppliers. The highest ethical standards shall be employed in all procurement transactions, and Suppliers shall be chosen based on procurement policies and defined selection criteria. 3.2 The responsibility in inspection, appraisal and accreditation of potential Supplier shall be carried out by Merchandising Department. The Personnel In-Charge shall have the qualifications and capabilities to evaluate the eligibility of the suppliers to be accredited. 3.3 Merchandising Manager is expected to select the best possible sustainable supplier and to effectively achieve the set objectives. Selection of potential suppliers are determined and identified based on a set of parameters. These parameters includes but are not limited to the following factors: 3.3.1 Quality of Product 3.3.2 Logistics Service (supply chain, delivery methods and timeframe) 3.3.3 Competitive pricing 3.3.4 Communication 3.3.5 Safety requirements 3.3.6 Marketing / promotional activities 3.4 Results of the assessment based on the defined criteria and agreed terms and conditions for selected supplier shall be documented in Product Evaluation Form (PEF). The PEF indicating the selected supplier shall be approved by the authorized Approver from the President's office. 3.5 For suppliers under Consignment or Concessionaire terms, Offer and Acceptance Sheet must be accomplished and approved by the authorized approver from the President's Office. The sheet must be duly signed by the Consignment/Concessionaire supplier representative. 3.5.1 All signed acceptance sheet must also have an attached signed Rules and Regulations on Consignors or Concessionaires. A copy of Acceptance sheet and rules and regulation should be given to Concessionaire/Consignor for guidance. 3.6 All accredited suppliers should have a Vendor Information Sheet (VIS), completely accomplished by the Supplier's Authorized Representative and duly approved by the corresponding Senior Merchandising Manager. Approval from the Senior Merchandising Manager assures that the supplier information and details written in VIS are valid and required documents are completely obtained.

SUPPLIER ACCREDITATION POLICIES & PROCEDURES

The following are the required documents from the selected supplier of which photocopies are required to be submitted and attached on the VIS:

- 3.6.1 BIR Certificate of Registration (COR)
- 3.6.2 Business Permit
- 3.6.3 Company Profile
- 3.6.4 Sales Invoice with Authority To Print (ATP)
- 3.6.5 Collection Receipt or Official Receipt with ATP
- 3.6.6 Other documents required by Finance Department

3.7 A vendor code is created in the system by the Personnel In-Charge assigned in Finance Department which shall serve as a unique reference number that the supplier has gone through the accreditation process. Details and profile of supplier are based on the submitted approved VIS by Merchandising Department.

3.7.1 All accredited suppliers shall be included and maintained in the Vendor Master file for management of supplier information. The Vendor Master file contains the company information and product listings of all accredited suppliers where the items will be purchased.

3.8 Only accredited suppliers shall provide required goods and services for the company. Only those items that has approved accreditation shall only be ordered from the accredited supplier.

3.9 For any changes or updates on Supplier's details, supplier must give information and submit necessary documents to Merchandising Department at least fifteen (15) working days before the effectivity of change.

VIS shall be accomplished based on the required updates and must be submitted to Finance Department:

UPDATES	SUPPORTING DOCUMENTS REQUIRED	SYSTEM UPDATE
Change of name of existing vendor (<i>same vendor but registered under a new name</i>)	- Taxpayer Record Update - COR	Edit the name of existing vendor to name of new vendor.
Revisions in the previous set-up or defaults (<i>changes in the vendor information except those information that can be overridden during Purchase Order preparation</i>)	Change in address – COR Change in TIN – Taxpayer Record Update	Edit the information based on approved request of existing vendor.
Replacement of Old Vendor to New Vendor (<i>Transactions will be made to the newly set-up vendor instead of previously maintained supplier.</i>)	Same requirement for New Vendor	➤ For the Old Vendor – encode 'NTBU' (<i>Not to be used</i>) prefix on the vendor name and tagged as 'I' (<i>Inactive</i>) ➤ Create new vendor code for the replaced supplier.
Deactivation of Supplier (<i>No replacement vendor</i>)		Encode 'NTBU' (<i>Not to be used</i>) prefix on the vendor name and tagged as 'I' (<i>Inactive</i>).

SUPPLIER ACCREDITATION POLICIES & PROCEDURES

- 3.9.1 Merchandising Department shall provide written document to Supply Chain Dept., Finance Division and Store Operation of supplier's inactivity.
- 3.9.2 Supplier's account related to inventory and financials must be cleared first prior to deactivation by Merchandising Department and Finance Division.
- 3.9.3 Personnel In-charge in Finance Department shall update the supplier's information in the system on the effectivity date written on VIS and with complete required supporting documents.
- 3.10 Review of accredited suppliers shall be performed three (3) months after PO creation for new supplier and on a periodic basis for existing suppliers. Merchandising Department and Supply Chain Department shall assess the supplier's performance based on set metrics and compliance on company's standard.
- 3.11 Merchandising Department and Supply Chain Department shall communicate to supplier through online vendor management system provided on the criteria that has poor performance or does not able to meet the agreed standards on a monthly basis. Marketing strategies or programs or corrective actions from the supplier must be required to improve the key processes related to company's operations.