

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

CANDY H. DACANAY-DATUON

(Contact Person)

(632) 8522-8801 to 04

(Company Telephone Number)

1	2
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Month

3	1
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Day

SEC FORM 17-A

(Form Type)

0	5
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Month

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Day

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc

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Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

	Total / All

Domestic

Borrowing

Foreign

SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, **AS AMENDED**

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2021**
2. SEC Identification Number: **A199813754** 3. BIR Tax Identification No.: **201-277-095**
4. Exact name of issuer as specified in its charter: **PUREGOLD PRICE CLUB, INC.**
5. **MANILA, PHILIPPINES** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **NO. 900 ROMUALDEZ STREET, PACO, MANILA** **1007**
Address of principal office Postal Code
8. **(632) 8522-8801 to 04**
Issuer's telephone number, including area code
9. **NONE**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|---------------------|--|
| Common Share | 2,881,637,615
Php11,880,000,000.00 |
11. Are any or all of these securities listed on a Stock Exchange.
- Yes [/] No []
- If yes, state the name of such stock exchange and the classes of securities listed therein:
THE PHILIPPINES STOCK EXCHANGE **COMMON SHARE**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and [SRC Rule 17.1](#) thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/] No []

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

Yes [/] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Shares held by Non-affiliates as of March 31, 2022	Market Value per Share as of March 31, 2022	Total Market Value
1,003,309,449	PhP35.75	Php103,018,544,736

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes ☐ No ☐

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](#).



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PART I: BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of Business

PUREGOLD PRICE CLUB, INC. (*“Puregold” or “the company”*) is a publicly-listed company operating a total of 499 retail stores located all over the Philippines. Aside from its physical stores, Puregold maintains two online platforms, “Sally” and “PureGo”, and is affiliated with other online delivery platforms like Pickaroo, Metromart, Lazada, and Shopee.

Puregold’s 499 retail stores are grouped as follows:

- 430 Puregold Stores
- 22 S&R Membership Shopping Warehouses
- 47 S&R New York Style Pizza (QSRs)

Puregold stores are divided into four store models:

- 263 Hypermarket
- 100 Supermarket
- 28 Extras
- 39 Minimart

Puregold has a joint venture agreement with the original owners of San Roque supermarkets to operate 30 San Roque supermarkets in Metro Manila, Rizal, and Bulacan province, with Ayala Land for three mall-based supermarkets called “Merkado”, and with 917Ventures, Inc. for “PureGo”.

Thus, as of December 31, 2021, Puregold has a total of 532 total store network:

- 430 Puregold Stores
- 22 S&R Membership Shopping Warehouses
- 47 S&R New York Style Pizza (QSR)
- 30 San Roque Supermarkets
- 3 Mercado Supermarkets

Puregold stores are located all over the Philippines:

- 210 stores or 40% in National Capital Region
- 126 stores or 24% in North Luzon
- 130 stores or 24% in South Luzon
- 50 stores or 9% in Visayas
- 16 stores or 3% in Mindanao

The company’s subsidiaries are:

- a. Kareila Management Corporation - operator of S&R Membership Warehouse and QSRs.

- b. Entenso Equities, Inc. - in joint venture agreements with San Roque to operate 20 San Roque supermarkets, three “Merkado” supermarkets with Ayala Land, and “PureGo” online delivery with 917Ventures, Inc.
- c. PPCI Subic, Inc. - operates Puregold store inside Subic Bay Economic Zone, Olongapo City, Zambales.
- d. Purepadala, Inc. – established in 2018 with P50 million capital stock. It will operate the remittance service within the network and platform of Puregold.

Puregold wholly owns the said companies.

Puregold was incorporated on September 8, 1998. The first store it opened was in Mandaluyong City. After 13 years in operation and 72 stores, Puregold went public on October 5, 2011, with an IPO price of P12.50 per share.

Since its incorporation, the company and its subsidiaries have never been a subject or involved in a bankruptcy, receivership, or similar proceedings.

The company and its subsidiaries were not involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business in 2021.

(2) Business of Issuer

(i) Principal Products or Services – Puregold is operating retail stores in the following formats:

Hypermarkets

- primarily located in major commercial centers and transportation hubs
- offers a wide variety of food and non-food products
- caters to retail customers and resellers
- caters to *Tindahan ni Aling Puring* ("TNAP") members
- with 2,000 to 2,500 average net selling space
- offers more than 25,000 stock-keeping units (SKU)

Supermarket / Extra

- primarily located in residential areas
- offers a higher proportion of food to non-food products
- smaller stores than a hypermarket
- with 800 square meter average net selling space
- 8,000 to 12,000 SKU product assortment

Minimart

- smallest store format, serves as a community store
- selling fast-moving essential goods to high-density neighborhoods
- offers a more limited number of products
- selling top-selling SKUs ranging from 4,000 to 5,000
- around 250 square meters average net selling space

S&R Exclusive Membership Warehouse

- adopted a warehouse club concept
- most of the products are offered in club packs
- majority of the merchandise is imported brand names mainly sourced from the United States
- with 2,000 to 2,500 average net selling space

Merkado

- with up to 2,000 square meters of selling area
- offers up to 16,000 SKUs product assortment
- mall-based hypermarkets

San Roque Supermarkets

- located in Metro Manila area, Rizal and Bulacan provinces
- with up to 1,500 selling area
- offers up to 16,000 SKUs of product assortment

(ii) Percentage of Sales or Revenues from Foreign Sales

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

(iii) Distribution Method

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

- a. Direct-to-store delivery – about 68% of the inventory is delivered directly to the stores by the suppliers with an average 7-day lead time from receipt of purchase orders.
- b. Cross-dock facilities – about 32% of the suppliers who cannot deliver to the stores directly deliver their products to two out-sourced cross-dock facilities for onward distribution to Puregold stores.
- c. Store-to-store transfer – as needed, Puregold transfers goods from a large store to a small store.
- d. Importation - S&R imports 45% to 55% of its products. It currently operates four distribution centers.

(iv) New Products or Service

In response to customers' mobility restrictions caused by Covid-19, the company launched "Baratilyo caravans" in February 2021. Puregold initiated 1,999 caravans and more than 18,000 rolling store activities all over the Philippines to reach out to customers who either could not visit the stores or were hesitant because of the pandemic.

(v) 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, Shopee, Zalora, Grab Food, Food Panda, and Metromart.

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

(vi) 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.

The company's 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 Colgate.

(vii) Customers

The company is not reliant on a single or few customers but on the buying public in general. The company divides its customers into retail consumers and resellers:

- a. Retail consumers – Puregold targets consumers with an average income of P12,000 to P80,000 per month, Class “C” and “D”, while S&R is targeting the “A” and “B” market segments with an average income of over P80,000 per month.
- b. Resellers – these are small to medium-sized sari-sari stores and canteens, restaurants, caterers, bakeries, convenience, and drug stores.

(viii) Related Party Transactions

Please refer to Annex “D” for Related Party Transactions of the company.

(ix) Trademarks

As of December 31, 2021, the company has secured the registration of 78 tradenames and trademarks from the Intellectual Property Office of the Philippines. All the registration of tradenames and trademarks, including the expiration dates, are in accordance with the pertinent laws on intellectual property rights. The complete list of tradenames and trademarks is presented in Annex “F” hereof.

(x) Government Approval

The company has secured the necessary permits and licenses to construct or operate retail stores both from the national government and local government units where each of the stores is located.

The company has also secured the necessary permits to sell products that require special inspection permits from various government agencies such as, but not limited to, the

National Meat and Inspection Service, Food and Drug Administration, and Department of Trade and Industry.

(xi) Government Regulations

Due to COVID 19 restrictions implemented by the National and Local Governments from 2020 to 2021, the company experienced shortened store hours and a limited number of customers admission. The company was likewise prohibited from selling liquor products in the stores and restricted the sale of cleansing materials such as alcohol, tissue for a certain period of time.

(xii) Research and Development

None.

(xiii) Compliance with Environmental Laws

The company estimates its annual cost for maintaining and renewing the ECCs and other environmental permits for its existing stores to be about P33 million.

For more details on the company's compliance with environmental laws, please see attached Sustainability Report – Annex "E" hereof.

(xiv) Employees

The company has 11,375 employees as of December 31, 2021. The following table sets out specific details of the employees by location and functions:

Location	Puregold	S&R	Merkado	San Roque	Entenso
Stores	6,560	3,310	36	84	0
Head Office	807	440	0	133	5
Total	7,367	3,750	36	217	5
Rank	Puregold	S&R	Merkado	San Roque	Entenso
Executive	5	22	0	4	0
Senior Manager	26	102	0	0	0
Manager	362	246	2	8	2
Officer	688	0	3	0	1
Supervisor	3,159	1,033	10	19	0
Rank & File	3,125	2,340	21	186	2
Consultant	2	7	0	0	0
Total	7,367	3,750	36	217	5

Puregold anticipates employing approximately 1,000 employees within the next 12 months for the planned 23 Puregold stores and two minimarts. S&R plans to hire 256 new employees for the planned 12 QSRs and 360 employees for 2 S&R warehouses. The Company does not expect to encounter any difficulty sourcing the workforce for these additional positions.

The company believes that its relations with its employees are generally good. The company has not experienced work stoppages or strikes in 2021 and the past five years due to employees' strife. The company currently has no labor union nor any collective bargaining agreement with any group of employees.

(xv) Major Risks

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

- (a) Government regulations to combat the spread of the COVID 19 virus and customers' trepidation to be infected with the COVID 19 virus may continue to affect the company's operation and profitability.*

The Philippine Government placed the country under community quarantine for the most of 2020 and 2021. Many businesses were closed, and the major means of transportation were shut down to limit people's movement outside their houses to essential activities only. Although the company is rendering essential services, most stores remain open, albeit with limited hours and restricted capacity. Further, many customers shun going to crowded places like supermarkets out of fear and apprehension of getting infected with the virus. Both government COVID 19 regulations and customers' behavior changed the company's operation in 2020 and 2021. It may continue to affect unless the company adopts measures to adapt to these changes and find ways of delivering business amidst these social changes.

To mitigate the impact of these social changes brought by the COVID 19 pandemic, the company strengthened its digital shopping platform named "Sally" and its "APAR" program to sell to as many customers even without them leaving their houses. "Sally" is a mobile application that allows end-user customers to shop online and have the merchandise delivered to their houses. "APAR," on the other hand, stands for "Aling Puring Account Representative Representatives," where store employees visit the business sites of its resellers called 'Aling Puring members' to sell and deliver merchandise to them. The company also entered into a joint venture with 917Ventures to launch and operate "PureGo", an online delivery platform.

- (b) 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 other things that can make their store experience appealing to them. However, due to social changes like the emergence of online sellers, worsening traffic, widespread diseases like COVID 19, and the effects of natural calamities like volcano eruptions, floods, and storms, 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 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. 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.

(c) The company may experience difficulty in implementing its growth strategy.

The company's growth depends on its plan to continue building stores and successfully operating 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 connected 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 organized store formats such as hypermarkets and supermarkets.

(d) 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.

(e) 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 high demands could cause the company to operate the business less effectively, which could cause deterioration in the financial performance of its existing stores. New store openings in markets where the company has current stores may also reduce 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 the quality of its customer service and may materially affect its financial condition and results of operations.

However, its strong relationship with suppliers and trade partners is crucial 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 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. The company engages third parties to provide cross-docking services to facilitate delivery from smaller-scale suppliers with limited distribution capabilities. It allows certain suppliers to benefit from a cost-effective supply chain as the company assists them in out-source part of their delivery obligations. This focus on supplier relationships has enabled the company to take advantage of additional supplier discounts that the company can 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 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.

(f) The company may face increased competition from other retailers and e-commerce 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 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. These stores compete 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.

Almost all the prominent retail players in the Philippines developed their digital platforms and delivery services to respond to the social changes brought about by COVID 19 pandemic. Some of the well-known suppliers also developed their e-commerce. Major online sellers like Lazada and Shopee, who used to sell clothes, gadgets, and housewares, now sell basic commodities and groceries on their platforms to cater to customers who do not want to leave their houses for essential grocery shopping.

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 suitable for different localities, such as commercial 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 is continuously improving its online platform and delivery services. The company recognizes that the increased competition with online resellers may affect the company's business and profitability in the future. Thus, the company is keen to improve its e-commerce platform and delivery services continuously.

(g) 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 on its ability to source and sell products that meet its standards for quality and appeal to customers' preferences. A small number of the company's employees are primarily responsible for sourcing products that meet the company's specifications and identifying and responding to changing customer preferences. Failure to source and market such products or accurately forecast changing customer preferences could decrease the number of customer transactions at the company's stores and decrease 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 due to 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. Suppose the company's management cannot quickly identify and adapt to such changes in consumer preferences. In that case, 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 responding quickly to changing consumer preferences.

(h) The success of the company's business depends partly on its ability to develop and maintain good relationships with its current and future suppliers.

The sourcing of the company's products depends partly on its relations with its suppliers. The company has had long working relationships with many multinational companies such as Procter & Gamble, Unilever, Nestlé, Del Monte, and other global 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 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, 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.

(i) The company may experience difficulties in expanding into the Visayas and Mindanao.

Expansion into these areas exposes the company to operational, logistical, and other business risks in new territories. Due to local requirements and process differences, the

company may find it difficult to obtain regulatory or local government approvals for new stores in these areas. The company may also experience difficulty 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.

Item 2. Properties

As of December 31, 2021, the company owns or leases the following properties:

(a) Puregold’s properties:

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	2	25	26	100
South Luzon	8	30	33	95
Metro Manila	2	32	39	115
Visayas	2	0	0	41
Mindanao	0	3	3	11
Total Number	14	90	101	362
Total Square Meters	37,328.57	334,941.22	322,527.52	717,200.27

(b) Kareila Management Corporation’s properties:

	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	12	12	0
Visayas	0	2	2	0
Mindanao	0	2	2	0
Total Number	0	22	22	0
Total Square Meters	0	247,341.30	382,780.58	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 are based on the company's general standards regarding 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 to its business.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters submitted to the vote of stockholders during its Annual Meeting held on May 11, 2021, there are no other matters submitted to a vote of security holders in 2021.

PART II: OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common and Related Stockholder Matters

(A) Shares of Stock

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

Period	2020		2021		2022	
	High	Low	High	Low	High	Low
1 st Quarter	40.05	29	41.05	34.20	39.35	31.80
2 nd Quarter	47.25	43.50	40.90	31.65	-	-
3 rd Quarter	54.00	46.30	44.50	37.90	-	-
4 th Quarter	48.50	40.35	44.50	36.35	-	-

As of March 31, 2022, the company's share is trading at P37.70 per share.

(B) Stockholders

As of March 31, 2022, the company has 2,881,637,615 stockholders on record, 2,904,214,086 issued shares, 2,881,637,615 outstanding capital stock, and 22,576,471 treasury shares.

The company's top 20 stockholders as of December 31, 2021, are as follows:

1	COSCO CAPITAL, INC.	1,410,867,188	48.96%
2	THE HSBC	359,665,380	12.48%
3	LUCIO L. CO	211,088,022	7.33%
4	SUSAN P. CO	178,242,585	6.19%
5	CITIBANK N.A	166,822,037	5.79%
6	STANDARD CHARTERED BANK	166,264,098	5.78%
7	GOVERNMENT SERVICE INSURANCE SYSTEM	67,141,242	2.33%
8	DEUTSCHE BANK MANILA – CLIENTS A/C	58,980,051	2.05%
9	BANCO DE ORO – TRUST BANKING GROUP	33,659,364	1.17%
10	FERDINAND VINCENT P. CO	26,709,460	0.93%
10	PAMELA JUSTINE P. CO	26,709,460	0.93%
11	SOCIAL SECURITY SYSTEM	26,255,640	0.91%
12	COL FINANCIAL GROUP	24,521,407	0.85%
13	BDO SECURITIES CORPORATION	10,909,574	0.38%
14	MBTC – TRUST BANKING GROUP	8,997,071	0.31%
15	FIRST METRO SECURITIES BROKERAGE CORP.	8,543,052	0.30%
16	CAMILLE CLARISSE P. CO	8,155,288	0.28%
17	ABACUS SECURITIES CORPORATION	7,689,032	0.27%
18	BPI SECURITIES CORPORATION	6,906,452	0.24%
19	SB EQUITIES, INC.	4,756,474	0.17%
20	WEALTH SECURITIES, INC.	4,371,260	0.15%

(C) Dividends

The company's dividends from 2012 to 2021:

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
December 18, 2020	R – 0.25 / S – 0.20 per share	January 8, 2021	January 29, 2021
December 21, 2021	R – 0.25 / S – 0.25 per share	January 10, 2022	February 1, 2022

**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.

(4) Recent Sales of Securities

None.

Item 6. Management's Discussion and Analysis or Plan of Operation

Please refer to Annex "A" for the Management's Discussion and Analysis or Plan of Operation.

Item 7. Financial Statements

Please refer to Annex "B" for the 2021 Audited Financial Statements of the company.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III: CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

Presented below are the company's directors, executive officers, and key officers' business profiles.

(i) Directors

The Board of Directors of the company is composed of nine members, six are male, three are female and one board consultant. No director of the company concurrently serves as a director in five or more listed companies.

Their directors' business profiles are as follows:

(1) Lucio L. Co, Filipino, 67 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 Grupal Power Corporation. He is a member of the Board of Trustees of 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 of The Keepers Holdings, Inc.

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

(2) Susan P. Co, Filipino, 64 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, 40 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.; Chairman of Pure Commerce, 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, 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, 37 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, 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, 78 years old, Director

Mr. Dayao was the President of Puregold from 2005 to 2014. He has been 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 Alcorn Petroleum and Minerals Corporation, K4 Water Resources Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Southern Utility Management and Services, Inc. (SUMSI), 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 also holds 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 an MBA from the University of the Philippines-Cebu.

(6) Jack E. Huang, Filipino, 68 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) Edgardo G. Lacson, Filipino, 78 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 a 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: Independent Director of Global Ferronickel Inc. and Double Dragon Meridian Park REIT.

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

(8) Marilyn V. Pardo, Filipino, 84 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.

(9) Jaime S. Dela Rosa, Filipino, 77 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 Global Financial System, Structures, Crises, and Reform program 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 an Alabang Country Club, Inc. Free Masonry member.

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, 64 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 at 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 with a degree of Bachelor of Science, major in Business Administration.

(ii) Corporate Officers

On May 11, 2021, the board renewed the appointment of the following officers: Mr. Ferdinand Vincent P. Co as President, Ms. Grace E. Sy as Treasurer, Ms. Baby Gerlie Sacro as Corporate Secretary, Atty. Candy H. Dacanay – Datuon as Assistant Corporate Secretary and Compliance Officer and Ms. Maria Teresa Lontoc as Internal Auditor.

1. Grace E. Sy, Filipino, 58 years old, Treasurer

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

2. Baby Gerlie I. Sacro, Filipino, 43 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. Candy H. Dacanay-Datuon, Filipino, 43 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 her Bachelor of Laws from the University of Santo Tomas in 2003 and was 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.

Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Cosco Capital, Inc. and The Keepers Holdings, Inc. (both PSE-listed companies), Corporate Secretary of Kareila Management Corporation (S&R warehouse), and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation.

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

4. Maria Teresa S. Lontoc, Filipino, 53 years old, Internal Auditor

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

(iii) Key Officers

1. Antonio E. Delos Santos, Filipino, 49 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 Bachelor of Arts in Economics degree in 1993.

2. Denise Maria D. Carolino, Filipino, 58 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 Leadership Management Development Program at the Ateneo De Manila University.

3. Andres S. Santos, Filipino, 71 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 Arellano University in 1974. He took a Bachelor of Laws from the University of the East and graduated in 1978. Atty. Santos passed the bar examination in 7th place.

4. Jenny L. Jacintos, Filipino, 48 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 Bachelor of Science in Business Administration degree in 1993. She completed a program at the Ateneo Graduate School of Business from 2012 to 2013.

5. Marie Ivy Chervias, Filipino, 46 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 Bachelor of Arts in Communications degree in 1997.

6. Connie L. Avila, Filipino, 41 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.

7. Ivy Zharisse H. Piedad, Filipino, 39 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 has been the Senior Manager of the Company's Marketing since 2015.

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

8. Antonitte R. Raymundo, Filipino, 44 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.

9. Maricel R. Cambe, Filipino, 48 years old, Senior Finance Manager

Ms. Cambe joined the company in 2019. She used to be working as an accountant in Liquigaz 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.

10. Kenneth N. Tiu, Filipino, 46 years old, Financial Control Manager

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

11. Elvira D. Gutierrez, Filipino, 51 years old, Senior Human Resources Manager

Ms. Gutierrez started in the company as Human Resource Manager in 2003 and became a 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.

12. Victor John Dizon, Filipino, 43 years old, Investor Relations Officer

Mr. Victor John G. Dizon is the new Investor Relations Officer of the company.

Mr. Dizon has been a finance professional for twenty years. He cut his teeth in the Philippine financial markets with First Metro Investment Corp., where he ended up as the Head of Equities Trading. As a trader and strategist with a solid track record, he gave clients valuable advice and contributed considerable profits to the company.

He also served in Philippine Government as Head of the Financial Audit and Asset Monitoring Department of the Metropolitan Waterworks and Sewerage System Regulatory Office. He was involved with the financial regulatory aspects of Metro Manila's water utilities-balancing overall consumer interests with the financial health of the water utilities.

Mr. Dizon is a graduate of the University of the Philippines with a bachelor's degree in Business Administration and Accountancy.

(iv) Key officers in subsidiaries

1. Anthony Sy, Filipino, 61 years old, S&R President

Mr. Sy joined the company in 2006. Before joining the company, Mr. Sy worked as President of the Visual Merchandising Center from 1986 to 2006. He graduated from Ateneo De Manila University with a Bachelor of Science in Management Engineering degree in 1982.

2. Gisela R. Altura, Filipino, 52 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 Bachelor of Science major in Accountancy degree in 1990. Ms. Altura is a Certified Public Accountant.

3. Joseph U. Sy, Filipino, 58 years old, Ayagold Operations Manager

Mr. Sy is one of the pioneer employees in the company. He was the first store manager in the company's first branch in Mandaluyong City. Because of his long retail experience, Mr. Sy manages the big stores of Puregold in Metro Manila and the operation of three Mercado stores.

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

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 company's business is not highly dependent on the services of certain key personnel.

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.

Involvement in Certain Legal Proceedings

As of December 31, 2021, and in the past five years, the company has no director, executive officer, or principal officer who is involved in any of 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.

For discussion of related party transactions, please refer to Annex “D” hereof.

No director has resigned or declined to stand for re-election to the board of directors since the last annual meeting of security holders because of a disagreement with the company on any matter relating to the company's operations, policies, or practices.

Item 10. Executive Compensation

The company pays a fixed monthly compensation to its employees subject to periodic performance reviews. The board members receive per diem allowances of P50,000.00 per board meeting and P20,000 per committee meeting.

The total annual compensation of the President and the four most highly compensated officers amounted to P15,435,833 in 2019, P15,849,416 in 2020, and P16,635,807 in 2021. Please see the table below:

(A) Summary Compensation Table

Name and Position	Year	Salary	Bonus	Other Annual Compensation
(1) Lucio L. Co, Chairman				
(2) Susan P. Co, Vice-Chairman				
(3) Ferdinand Vincent P. Co, President				
(4) Antonio E. Delos Santos, Operations Manager				
(5) Jenny L. Jacintos, Senior Merchandising Manager				
Aggregate compensation of the	2019	P15,435,833	-	-
President and the four most highly	2020	P15,849,416	-	-
compensated officers	2021	P16,635,807	-	-
	2022 <i>Projected</i>	P17,110,000	-	-
Aggregate compensation paid to all	2019	P133,628,837	-	-
other officers and managers	2020	P144,199,144	-	-
	2021	P139,784,073	-	-
	2022 <i>Projected</i>	P144,146,507	-	-

(2) 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.

(3) 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.

(4) 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 consistent with the existing labor laws of the country. The company has a retirement plan for its employees consistent with current labor laws.

Item 11. Security Ownership of Certain Records and Beneficial Owners and Management

1. Security ownership of more than 5% of the stock of the company as of December 31, 2021:

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
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Common	Cosco Capital, Inc. No. 900 Romualdez St., Paco, Manila	Stockholder/ Parent Company	Parent Company	Filipino	1,410,867,188	48.96%
Common	Lucio L. Co, No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Chairman	Record owner himself	Filipino	211,088,022	7.33%
Common	Susan P. Co No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Vice- Chairman	Record owner herself	Filipino	178,242,585	6.19%
Common	PCD Nominee Corp. (Non-Filipino)	Stockholder/ Not related	Acting for various clients	Non- Filipino	563,018,547	19.54%
Common	PCD Nominee Corp. (Filipino)	Stockholder/ Not related	Acting for various clients	Filipino	440,419,335	15.28%

2. Security Ownership of Directors and Executive Officers of the Company
as of December 31, 2021:

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	7.33%
Common	Susan P. Co Vice-Chairman	Direct	Filipino	178,242,585	6.19%
Common	Ferdinand Vincent P. Co President	Direct	Filipino	26,709,460	0.93%
Common	Leonardo B. Dayao Executive Director	Direct	Filipino	779,925	0.03%
Common	Pamela Justine P. Co Executive Director	Direct	Filipino	26,709,460	0.93%
Common	Jack Huang Non-Executive Director	Direct	Filipino	15,000	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%

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

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

5. Foreign ownership level as of December 31, 2021:

570,665,444 common shares, or 19.79% of the outstanding capital stock

Item 12. Certain Relationships and Related Transactions

Please refer to Annex “D” for the company's related party transactions.

PART IV: CORPORATE GOVERNANCE

(a) The company has a Revised Manual on Corporate Governance approved in May 2017. The company aims to improve such a manual to reflect more detailed company policies 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 maintaining good corporate governance.

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

(d) Except in 2020 and 2021, due to the Covid 19 pandemic, the company conducted 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 their implementation. The board is headed by a competent and qualified chairman with 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 2021, the board held meetings on March 26, April 6, May 4, May 11, August 3, November 9, and December 21.

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

The company adheres to the nine cumulative years fixed term for directors. However, due to challenges brought by the global pandemic, the company extended the term of independent directors, Mr. Lacson and Mrs. Pardo. The reason given by the board of directors for such exemption is as follows:

"COVID 19 pandemic brought a lot of uncertainties in our business and to the Philippine economy as a whole. Many challenges of unprecedented scale prompted the company to adopt and respond as fast as we could. More than ever, we need a Board of Directors who can quickly and competently respond to these challenges. Such fast and adept response would only come from directors who are very

knowledgeable of the company's core values and culture and who hold the organization's trust to be competent in guiding us navigate through these extraordinary times. The company strongly believes that any changes in the board, as of the moment, would burden the company instead of helping it overcome this global pandemic."

On May 11, 2021, the company's stockholders representing 2,238,527,228 common shares or 95% of the outstanding shares approved the eligibility of Mr. Lacson and Mrs. Pardo to serve as independent directors and be elected as such for the year 2021 – 2022 and 2022 – 2023.

Directors receive fees for attending board and committee meetings of the Company, P50,000 for board meetings, and P20,000 for committee meetings. Except for the said fees, they do not receive regular compensation as board members.

The Directors' attendance in 2021 board meetings are presented below:

	March 26	April 6	May 4	May 11	August 3	November 9	December 21	Total
Lucio L. Co	√	√	√	√	√	√	√	100%
Susan P. Co	√	√	√	√	√	√	√	100%
Ferdinand Vincent P. Co	√	√	√	√	√	√	√	100%
Pamela Justine P. Co	√	√	√	√	√	√	√	100%
Leonardo B. Dayao	√	√	√	√	√	√	√	100%
Jack E. Huang	√	√	√	√	√	√	√	100%
Edgardo Lacson	√	√	√	√	√	√	√	100%
Marilyn V. Pardo	X	√	√	√	√	√	√	86%
Jaime S. Dela Rosa	√	√	√	√	√	√	√	100%

(e) Committee Membership

The company has three board committees, the Executive Committee, Corporate Governance Committee, and the Audit Committee. The board appointed its members during its organizational meeting on May 11, 2021.

Executive Committee	Corporate Governance Committee	Audit Committee
Lucio L. Co	Marilyn V. Pardo (ID)	Edgardo G. Lacson (ID)
Chairman	Chairman	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 report directly to the Audit Committee. The external auditor reports to the committee annually, and the internal auditor reports to the committee quarterly.

In 2021, the Audit Committee convened four meetings held on March 30, April 30, July 30, and November 5. All Audit Committee members were present in those committee meetings.

PART V: EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

Please see below Annexes:

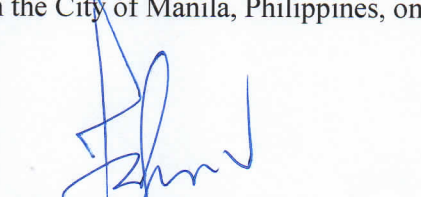
- Annex "A" - Management Discussion and Analysis of Financial Position
- Annex "B" - 2021 Audited Financial Statements
- Annex "C" - Supplementary Schedules
- Annex "D" - Certain Relationships and Related Transactions
- Annex "E" - Sustainability Report
- Annex "F" - Trademarks
- Annex "G" - Reports on SEC Form 17-C

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report (SEC 17-A) is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila, Philippines, on May 2, 2022.



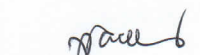
LUCIO L. CO
Chairman



FERDINAND VINCENT P. CO
President



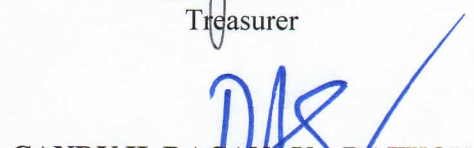
MARICEL R. CAMBE
Senior Finance Manager



GRACE E. SY
Treasurer



BABY GERLIE I. SACRO
Corporate Secretary



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

SUBSCRIBED AND SWORN to before me this 12 MAY 2022 in the City of Manila, Philippines, affiants exhibited to me competent proof of their respective identities.

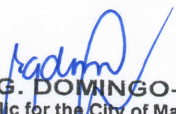
LUCIO L. CO	TIN ID No. 108-975-971
FERDINAND VINCENT P. CO	TIN ID No. 208-381-185
MARICEL R. CAMBE	TIN ID No. 184-996-223
GRACE E. SY	TIN ID No. 101-306-940
BABY GERLIE I. SACRO	TIN ID No. 201-538-302
CANDY H. DACANAY – DATUON	TIN ID No. 233-200-394

Doc. No. 320

Page No. 65

Book No. 5

Series of 2022


ROXANNE G. DOMINGO-MAUR
Notary Public for the City of Manila
Commission No. 2021-001 until Dec. 31, 2022
Roll No. 69155
IBP Lifetime Member No. 018547
PTR No. MLA 0163209 / 01-05-2022
MCLE Compliance No. VII-0011920/03-02-2
No. 900 Romualdez St., Pasig, Manila

ANNEX "A"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Group's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group's business should be read in conjunction with the auditors' reports and the Group's 2021 audited consolidated financial statements and notes attached herewith as Annex "B".

Key Performance Indicators

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

	2021	2020	2019
Current Ratio ⁽¹⁾	3.84:1	3.47:1	2.58:1
Asset to Equity Ratio ⁽²⁾	1.85:1	1.92:1	1.76:1
Debt to Equity Ratio ⁽³⁾	0.85:1	0.92:1	0.76:1
Debt to Total Assets ⁽⁴⁾	0.46:1	0.48:1	0.43:1
Book Value per Share ⁽⁵⁾	P26.31	P23.87	P21.57

	2021	2020	2019
Earnings per Share ⁽⁶⁾	P2.85	P2.81	P2.37
Price Earnings Ratio ⁽⁷⁾	13.78x	14.59x	16.79x
Return on Assets ⁽⁸⁾	6.0%	6.7%	6.5%
Return on Equity ⁽⁹⁾	11.4%	12.4%	11.8%

- (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, 2021, the Group earned a consolidated net income of P8,180 million at 5.0% net margin and an increase of 1.4% from P8,067 million at 4.8% net margin in 2020. This was principally driven by the continuous management effort to improve gross margins, sustained strategic cost and expense management as well as the effect of the reduced corporate income tax with the implementation of the CREATE Law.

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

(In millions)	2021			2020			2019	
		% to Sales	% Change		% to Sales	% Change		% to Sales
Net Sales	P164,125	100.0%	-2.7%	P168,632	100.0%	9.2%	P154,490	100.0%
Cost of Sales	134,042	81.7%	-3.9%	139,476	82.7%	8.5%	128,540	83.2%
Gross Profit	30,083	18.3%	3.2%	29,156	17.3%	12.4%	25,951	16.8%
Other Operating Income	3,210	2.0%	1.7%	3,155	1.9%	-3.3%	3,263	2.1%
Gross Income	33,293	20.3%	3.0%	32,311	19.2%	10.6%	29,213	18.9%
Operating Expenses	20,350	12.4%	7.4%	18,953	11.2%	6.3%	17,830	11.5%
Operating Income	12,942	7.9%	-3.1%	13,358	7.9%	17.3%	11,384	7.4%
Other income(expenses)	(2,290)	-1.4%	19.0%	(1,925)	-1.1%	6.7%	(1,804)	-1.2%
Net Income before tax	10,652	6.5%	-6.8%	11,433	6.8%	19.3%	9,580	6.2%
Income tax expense	2,472	1.5%	-26.6%	3,366	2.0%	19.9%	2,807	1.8%
Net Income after tax	P8,180	5.0%	1.4%	P8,067	4.8%	19.1%	P6,773	4.4%

Comparative years 2021 and 2020

Net Sales

For the year ended December 31, 2021, the Group posted a consolidated net sales of P164,125 million for a decrease of P4,507 million or 2.7% compared to P168,632 million in 2020. The decrease in net sales was primarily driven by a decline in customer's visits particularly for the Puregold stores, with the government implementing health protocols in 2021 and people cautious of contracting the virus. Also, base sales is higher than usual in 2020 specially in the first quarter, with people buying in panic, due to the looming lockdown brought about by the pandemic.

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

	PGOLD	S&R
Net Sales	-9.7%	4.7%
Net Ticket	8.0%	2.6%
Traffic	-16.4%	2.1%

Gross Profit

For the year ended December 31, 2021, the Group realized an increase of 3.2% in consolidated gross profit from P29,156 million in 2020 at 17.3% margin to P30,083 million at 18.3% margin in 2021, driven by strong and continuing suppliers' support through trade discounts in the form of rebates and conditional discounts granted during the year.

Other Operating Income

Other operating income slightly increased by P55 million or 1.7% from P3,155 million in 2020 to P3,210 million in 2021. With the lockdown restrictions starting to loosen up, some tenants resume operation which resulted to increase in rent income.

Operating Expenses

Operating expenses increased by P1,397 million or 7.4% from P18,953 million in December 31, 2020 to P20,350 million in 2021. This is mainly driven by the increase in operating expenses of Kareila both from newly opened stores and old stores. In addition, operating expenses in prior period were partly lower driven by lockdown period in the first half of 2020.

Other Expense - net

Other expenses net of other income amounted to P2,290 million and P1,925 million in December 31, 2021 and 2020, respectively. The increase is primarily due to interest expense on corporate notes issued by the Parent Company in the last quarter of 2020.

Net Income

For the year ended December 31, 2021, the Group earned a consolidated net income of P8,180 million at 5.0% net margin and an increase of 1.4% from P8,067 million at 4.8% net margin in 2020.. Despite the decline in revenues, this was principally driven by the continuous management effort to improve gross margins, sustained strategic cost and expense management as well as the effect of the reduced corporate income tax with the implementation of the CREATE Law.

Comparative years 2020 and 2019

Net Sales

For the year ended December 31, 2020, the Group posted a consolidated net sales of P168,632 million for an increase of P14,142 million or a growth of 9.2% compared to P154,490 million in 2019. New organic stores put up in 2019 were fully operating in 2020 increasing consolidated net sales. In addition, like for like stores sales posted an increase as well as revenue contributions from new organic stores established during the year.

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

	PGOLD	S&R
Net Sales	2.4%	8.7%
Net Ticket	49.4%	10.4%
Traffic	-31.5%	-1.5%

Gross Profit

For the year ended December 31, 2020, the Group realized an increase of 12.4% in consolidated gross profit from P25,951 million in 2019 at 16.8% margin to P29,156 million at

17.3% margin in 2020, 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 decreased by P108 million or 3.3% from P3,263 million in 2019 to P3,155 million in 2020. This is attributable to decrease in rent income brought about by decrease in rent rate and rent free periods given to tenants, in consideration to those affected by the pandemic.

Operating Expenses

Operating expenses increased by P1,123 million or 6.3% from P17,830 million in December 31, 2019 to P18,953 million in 2020. The increase in operating expenses were mainly attributable to depreciation expense, taxes and licenses, advertising and promotion and credit card charges principally related to the establishment and operation of new organic stores. Utilities and manpower expenses are declining due to the lockdown period enforced by the government and the skeletal workforce being implemented by the Company.

Other Expense - net

Other expenses net of other income amounted to P1,925 million and P1,804 million in December 31, 2020 and 2019, respectively. Interest income increased in December 2020 due to higher placement in short-term investment as compared to placements made in 2019. Interest expense on loans also increased due to issuance of corporate bonds during the year.

Net Income

For the year ended December 31, 2020, the Group earned a consolidated net income of P8,067 million at 4.8% net margin and an increase of 19.1% from P6,773 million at 4.4% net margin in 2019.. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a 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 strategically control operating expenses.

Financial Position

The Group's consolidated financial position as at December 31, 2021, 2020 and 2019 are presented below:

(In millions)	2021			2020			2019	
		% to Total Assets	% Change		% to Total Assets	% Change		% to Total Assets
Cash & Cash Equivalents	P41,312	29.6%	26.2%	P32,724	24.9%	91.6%	P17,083	15.7%
Receivables – net	2,179	1.6%	-18.6%	2,676	2.0%	0.0%	2,676	2.5%
Merchandise inventory	21,559	15.5%	3.1%	20,918	15.9%	7.1%	19,526	18.0%
Investments in trading securities	31	0.0%	-98.7%	2,411	1.8%	6805.3%	35	0.0%
Prepaid expenses and other current assets	851	0.6%	29.3%	658	0.5%	-8.6%	720	0.7%
Total Current Assets	65,931	47.3%	11.0%	59,388	45.1%	48.3%	40,040	36.9%
Investments in associates and joint venture	637	0.5%	0.0%	637	0.5%	2.2%	623	0.6%
Property and equipment- net	23,070	16.5%	5.0%	21,966	16.7%	3.8%	21,162	19.5%
Intangibles and goodwill	19,703	14.1%	-0.1%	19,716	15.0%	-0.1%	19,731	18.2%
Right-of-use assets – net	26,217	18.8%	0.3%	26,137	19.9%	9.7%	23,825	21.9%
Deferred tax assets – net	1,334	1.0%	6.0%	1,258	1.0%	48.0%	850	0.8%
Other noncurrent assets	2,543	1.8%	2.0%	2,492	1.9%	3.6%	2,405	2.2%
Total Noncurrent Assets	73,503	52.7%	1.8%	72,205	54.9%	5.3%	68,594	63.1%
	P139,434	100.0%	6.0%	P131,594	100.0%	21.1%	P108,635	100.0%
Accounts payable and accrued expenses	P14,423	10.3%	0.6%	P14,342	10.9%	9.6%	P13,080	12.0%
Short-term loans payable	-	0.0%	0.0%	-	0.0%	-100.0%	502	0.5%
Income tax payable	854	0.6%	-34.5%	1,305	1.0%	39.2%	937	0.9%
Due to related parties	46	0.0%	-7.5%	50	0.0%	5.2%	47	0.0%
Current maturities of long - term loans, net of debt issue costs	120	0.1%	0.0%	120	0.1%	0.0%	-	0.0%
Lease liabilities due within one year	1,092	0.8%	21.8%	897	0.7%	82.9%	490	0.5%
Other current liabilities	651	0.5%	27.6%	510	0.4%	17.2%	435	0.4%
Total Current Liabilities	17,185	12.3%	-0.2%	17,222	13.1%	11.2%	15,491	14.3%
Long-term loans - net of current maturities and debt issue costs	11,650	8.4%	-0.9%	11,755	8.9%	2838.8%	400	0.4%
Lease liabilities	33,827	24.3%	3.3%	32,731	24.9%	9.4%	29,926	27.5%
Retirement benefits liability	1,295	0.9%	-6.3%	1,383	1.1%	50.5%	919	0.8%
Total Noncurrent Liabilities	46,773	33.5%	2.0%	45,869	34.9%	46.8%	31,245	28.8%
Total Liabilities	63,958	45.9%	1.4%	63,092	47.9%	35.0%	46,735	43.0%
Capital stock	2,904	2.1%	0.0%	2,904	2.2%	0.0%	2,904	2.7%
Additional paid in capital	25,362	18.2%	0.0%	25,362	19.3%	0.0%	25,362	23.3%
Remeasurements of retirement liability - net of tax	151	0.1%	-227.5%	(119)	-0.1%	-317.8%	54	0.1%
Treasury stock, at cost	(113)	-0.1%	58.0%	(71)	-0.1%	0.0%	(71)	-0.1%
Retained earnings	47,171	33.8%	16.7%	40,426	30.7%	20.1%	33,650	31.0%
Total Equity	75,476	54.1%	10.2%	68,502	52.1%	10.7%	61,899	57.0%
	P139,434	100.0%	6.0%	P131,594	100.0%	21.1%	P108,635	100.0%

Comparative Years 2021 and 2020

Current Assets

As at December 31, 2021 and 2020, total current assets amounted to P65,931 million or 47.3% of total assets and P59,388 million or 45.1% of total assets, respectively, for an increase of P6,543 million or 11.0% as at December 31, 2021.

Cash and cash equivalents as at December 31, 2021 amounted to P41,312 million or 29.6% of total assets and increased by P8,588 million or 26.2% compared to previous year-end balance. The account increase is attributable mainly to cash generated from operations. This is partially offset by payment for cash dividend and capital expenditures for 2021 new organic stores

Receivables amounted to P2,179 million as at December 31, 2021 and 2020 or 1.6% and 2.0% of total assets, respectively. The decrease was due to collections made during the period, bulk of which came from the high year end receivables.

Merchandise inventory amounted to P21,559 million or 15.5% of total assets at the end of 2021 and P20,918 million or 15.9% of total assets in 2020. Total inventory increased by P641 million or 3.1% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Investments in trading securities amounted to P31 million and P2,411 million as at December 31, 2021 and 2020, respectively. The decrease of P2,380 million was due to net sale of government bonds during the period.

Prepaid expenses and other current assets amounted to P851 million and P658 million as at December 31, 2021 and 2020, respectively. The increase was mainly due to payment on insurance premiums and advertising and promotion expenses.

Noncurrent Assets

As at December 31, 2021 and 2020, total noncurrent assets amounted to P73,503 million or 52.7% of total assets and P72,205 million or 54.9% of total assets, respectively, for an increase of P1,298 million or 1.8% as at December 31, 2021.

Investments amounted to P637 million as at December 31, 2021 and 2020, respectively.

Net book values of property and equipment increased by P1,104 million or 5.0% from P21,966 million in December 2020 to P23,070 million in December 2021. The increase was mainly due to additions made during the year intended for newly established/operating stores.

Right-of-use asset amounted to P26,217 million or 18.8% of total assets and P26,137 million or 19.9% of total assets as at December 31, 2021 and 2020, respectively.

Deferred tax assets – net amounted to P1,334 million or 1.0% of total assets and P1,258 million or 1.0% of total assets as at December 31, 2021 and 2020, respectively, for an increase of 6.0% or P76 million. The increase was due to recognition of deferred tax in retirement expense and compliance with PFRS 16 – Leases.

Intangibles amounted to P19,703 million as at December 31, 2021 and P19,716 million as at December 31, 2020.

Other noncurrent assets amounted P2,543 million as at December 31, 2021 and P2,492 million as at December 31, 2020.

Current Liabilities

As at December 31, 2021 and 2020, total current liabilities amounted to P17,185 million or 12.3% of total assets and P17,222 million or 13.1% of total assets, respectively, for a decrease of P37 million or 0.2% as at December 31, 2021.

Accounts payable and accrued expenses amounted to P14,423 million and P14,342 million as at December 31, 2021 and 2020, respectively, and increased by P81 million or 0.6% as of December 2020.

Income tax payable decreased by P451 million from P1,305 million in December 2020 to P854 million in December 2021 due to the reduced corporate income tax with the implementation of the CREATE Law.

Due to related parties, representing royalty fees, amounted to P46 million for the year ended December 2021 and P50 million for the year ended December 2020. The decrease was due to decrease in net sales and settlement of liability incurred as at December 2020.

Lease liabilities due within one year pertain to current portion of lease liabilities.

Other current liabilities increased by P141 million or 27.6% from P510 million in December 2020 to P651 million in December 2021. The increase on the account was due to increase in output vat during the year.

Noncurrent Liabilities

As at December 31, 2021 and 2020, total noncurrent liabilities amounted to P46,773 million or 33.5% of total assets and P45,869 million or 34.9% of total assets, respectively, for an increase of P904 million or 2.0% as at December 31, 2021.

Lease liabilities amounted to P33,827 million or 24.3% of total assets and P32,731 million or 24.9% of total assets as at December 31, 2021 and 2020, respectively, or an increase of P1,096 million or 3.3% due to new stores opened during the year.

Long-term debt – net of current maturities and debt issue costs amounted to P11,650 million and P11,755 million as at December 31, 2021 and 2020, respectively, for a decrease of P105 million. In 2020, the Group issued a P12 billion long-term notes payable to various banks with interest rates ranging from 4.00% to 4.51% and terms of 7 and 10 years.

Retirement benefits liability amounted to P1,295 million and P1,383 million as at December 31, 2021 and 2020, respectively. The decrease was due to gain on changes on financial assumptions recognized under other comprehensive income as of December 2021.

Equity

As at December 31, 2021 and 2020, total equity amounted to P75,476 million and P68,502 million, respectively, for an increase of P6,974 million or 10.2%.

Capital stock amounted to P2,904 million as at December 31, 2021 and 2020.

Additional paid in capital amounted to P25,362 million as at December 31, 2021 and 2020.

Retained earnings amounted to P47,171 million and P40,426 million as at December 31, 2021 and 2020, respectively, or an increase of P6,745 million or 16.7% due to income made during the year, net of dividend payments

Comparative Years 2020 and 2019

Current Assets

As at December 31, 2020 and 2019, total current assets amounted to P59,388 million or 45.1% of total assets, and P40,040 million or 36.9% of total assets, respectively, for an increase of P19,348 million or 48.3% as at December 31, 2020.

Cash and cash equivalents as at December 31, 2020 amounted to P32,724 million or 24.9% of total assets and increased by P15,641 million or 91.6% compared to previous year-end balance. The account increase is attributable mainly to the cash received from the issuance of a P12 billion notes payable to various banks. This is partially offset by settlement of trade and non-trade payables, payment for cash dividend, partial settlement of loans and capital expenditures for 2020 new organic stores.

Receivables amounted to P2,676 million as at December 31, 2020 and 2019 or 2.0% and 2.5% of total assets, respectively.

Merchandise inventory amounted to P20,918 million or 15.9% of total assets at the end of 2020 and P19,526 million or 18.0% of total assets in 2019. Total inventory increased by P1,392 million or 7.1% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Investments in trading securities amounted to P2,411 million and P35 million as at December 31, 2020 and 2019, respectively. The increase in the account was due to recognition of investment in bonds amounting to P2.4 billion, outstanding as of December 2020, into current account. The same bond was sold in January 2021.

Prepaid expenses and other current assets amounted to P658 million and P720 million as at December 31, 2020 and 2019, respectively. The decrease was mainly due to reduction on insurance premiums and amortization of advertising expenses.

Noncurrent Assets

As at December 31, 2020 and 2019, total noncurrent assets amounted to P72,205 million or 54.9% of total assets and P68,594 million or 63.1% of total assets, respectively, for an increase of P3,611 million or 5.3% as at December 31, 2020.

Investments amounted to P637 million and P623 million as at December 31, 2020 and 2019, respectively.

Net book values of property and equipment increased by P804 million or 3.8% from P21,162 million in December 2019 to P21,966 million in December 2020. The increase was mainly due to additions made during the year intended for newly established/operating stores.

Right-of-use asset amounted to P26,137 million or 19.9% of total assets and P23,825 million or 21.9% of total assets as at December 31, 2020 and 2019, respectively.

Deferred tax assets – net amounted to P1,258 million or 1.0% of total assets and P850 million or 0.8% of total assets as at December 31, 2020 and 2019, respectively, for an increase of 48.0% or P408 million. The increase was due to recognition of deferred tax in retirement expense and compliance with PFRS 16 – Leases.

Intangibles amounted to P19,716 million as at December 31, 2020 and P19,731 million as at December 31, 2019.

Other noncurrent assets amounted P2,492 million as at December 31, 2020 and P2,405 million as at December 31, 2019.

Current Liabilities

As at December 31, 2020 and 2019, total current liabilities amounted to P17,222 million or 13.1% of total assets and P15,491 million or 14.3% of total assets, respectively, for an increase of P1,732 million or 11.2% as at December 31, 2020.

Accounts payable and accrued expenses amounted to P14,342 million and P13,080 million as at December 31, 2020 and 2019, respectively, and increased by P1,262 million or 9.6% primarily due increase in trade and non-trade liabilities and dividend declared as of December 2020.

Short-term loans payable amounted to P502 million as at December 31, 2019 Total amount outstanding was settled during the year.

Income tax payable increased by P368 million from P937 million in December 2019 to P1,305 million in December 2020 due to provision on income tax liability incurred during the year.

Due to related parties, representing royalty fees, amounted to P50 million for the year ended December 2020 and P47 million for the year ended December 2019. The increase was due accrual of liability incurred as at December 2020

Lease liabilities due within one year pertain to current portion of lease liabilities.

Other current liabilities increased by P75 million or 17.2% from P435 million in December 2019 to P510 million in December 2020. The increase on the account was due to deposits from tenants and sale of gift certificates during the year.

Noncurrent Liabilities

As at December 31, 2020 and 2019, total noncurrent liabilities amounted to P45,869 million or 34.9% of total assets, and P31,245 million or 28.8% of total assets, respectively, for an increase of P14,624 million or 46.8% as at December 31, 2020.

Lease liabilities amounted to P32,731 million or 24.9% of total assets and P29,926 million or 27.5% of total assets as at December 31, 2020 and 2019, respectively, or an increase of P2,805 million or 9.4% due to new stores opened during the year.

Long-term debt – net of current maturities and debt issue costs amounted to P11,755 million and P400 million as at December 31, 2020 and 2019, respectively, for an increase of P11,355 million. During the year, the Group issued a P12 billion long-term notes payable to various banks with average interest rate of 4.13% and terms of 7 and 10 years.

Retirement benefits liability amounted to P1,383 million and P919 million as at December 31, 2020 and 2019, respectively. Increase was due to recognition of liability as of December 2020.

Equity

As at December 31, 2020 and 2019, total equity amounted to P68,502 million and P61,899 million, respectively, for an increase of P6,603 million or 10.7%.

Capital stock amounted to P2,904 million as at December 31, 2020 and 2019.

Additional paid in capital amounted to P25,362 million as at December 31, 2020 and 2019.

Retained earnings amounted to P40,426 million and P33,650 million as at December 31, 2020 and 2019, respectively, or an increase of P6,776 million or 20.1% due to income made during the year, net of dividend payments.

Cash Flows

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

<i>(In millions)</i>	2021	2020	2019
Net cash provided by operating activities	P14,996	P14,703	P15,073
Net cash used in investing activities	(1,337)	(5,776)	(3,773)
Net cash used in financing activities	(5,072)	6,694	(4,904)
Net increase in cash and cash equivalents	P8,587	P15,641	P6,396

Cash flows from operating activities

Net cash provided by operating activities amounted to P14,996 million, P14,703 million and P15,073 million for the years ended December 31, 2021, 2020 and 2019, respectively. This was mainly due to increase in operating income driven by aggressive store expansion.

Cash flows used in investing activities

Net cash used in investing activities amounted to P1,337 million, P5,776 million and P3,773 million for the years ended December 31, 2021, 2020 and 2019, respectively. Capital expenditures for acquisitions of equipment, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounted to P3,682 million in 2021 and P3,208 million in 2020.

Cash flows from (used in) financing activities

Net cash used in financing activities amounted to P5,072 million for the year ended December 31, 2021, pertaining to lease payments and dividend payable.. Net cash provided by financing activities amounted to P6,694 million in 2020 while net cash used amounted P4,904 million for the year ended December 31, 2019.

Capital Expenditures

The table below sets out the Group's capital expenditures in 2021, 2020 and 2019 (note 10 of AFS).

<i>(In millions)</i>	For the years ended December 31,		
	2021	2020	2019
Office and store equipment	P841	P748	P865
Furniture and fixtures	203	209	257
Leasehold improvements	843	943	468
Building	130	105	155
Land	320	501	-
Construction in progress	1,345	702	2,088
Total	P3,682	P3,208	P3,833

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

Financial Risk Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

The Group's financial risk management objectives and policies are discussed in Note 29 of the Group's audited consolidated financial statements.

Material Events and Uncertainties

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

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

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

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

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

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

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

ANNEX "B"

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

With Independent Auditors' Report



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

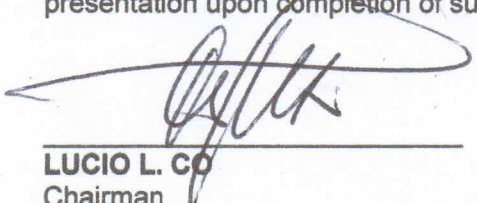
The management of **Puregold Price Club, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2021 and 2020, in accordance with the prescribed financial 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.

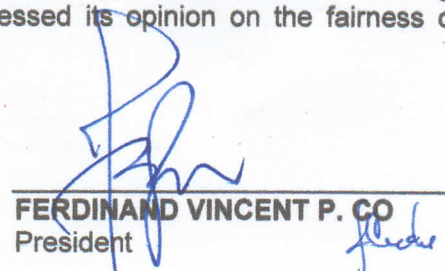
In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease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

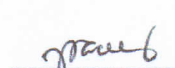
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

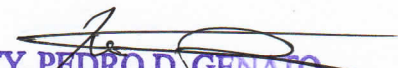
Signed this 21th day of APRIL 2022

APR 21 2022

SUBSCRIBED AND SWORN to before me this day of _____ 2022, affiants exhibiting to me their respective TIN 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. 1001
Page No. 101
Book No. 7
Series of 2022


ATTY. PEDRO D. GENATO
Notary Public Until June 30, 2022
Notarial Commission 2020 - 044 Mla
1150 Gen. Luna St., Ermita, Manila
IBP# 165729 Pasig - 10-14-2021
PTR# 0154718 Mla - 1-3-2022
Roll # 12088, TIN# 132-436-687
MCLE Compl. No VI-0021170 until 4-14-2023

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, 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.

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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 (P166.8 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.

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, 2021, 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, 2021 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, actions taken to eliminate threats or safeguards applied.

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. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

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 8854063

Issued January 3, 2022 at Makati City

April 21, 2022

Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, 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.

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The risk

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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.
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Revenue Recognition (P166.8 billion)

Refer to Note 17 to the consolidated financial statements.

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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

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- 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, actions taken to eliminate threats or safeguards applied.

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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

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SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

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 8854063

Issued January 3, 2022 at Makati City

April 21, 2022

Makati City, Metro Manila

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

	<i>Note</i>	2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	4	P41,311,594,337	P32,724,093,663
Receivables - net	5	2,178,899,221	2,676,254,583
Merchandise inventories	6	21,558,632,962	20,918,320,287
Financial assets at fair value through profit or loss	7	30,725,784	2,411,375,234
Prepaid expenses and other current assets	8	850,856,380	658,106,936
Total Current Assets		65,930,708,684	59,388,150,703
Noncurrent Assets			
Investment in associate and joint venture	9	636,548,430	636,548,430
Property and equipment - net	10	23,069,507,813	21,966,176,496
Goodwill and other intangibles	12	19,703,406,518	19,715,894,884
Right-of-use assets - net	11	26,216,543,708	26,137,182,954
Deferred tax assets - net	25	1,334,336,861	1,257,599,720
Other noncurrent assets	13, 19	2,542,755,204	2,491,956,269
Total Noncurrent Assets		73,503,098,534	72,205,358,753
		P139,433,807,218	P131,593,509,456
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14, 23, 26	P14,422,700,429	P14,341,506,837
Income tax payable		853,926,473	1,304,529,529
Current portion of long-term loans	15	120,000,000	120,000,000
Lease liabilities due within one year	19	1,091,723,186	896,500,586
Due to related parties	23	45,868,433	49,568,517
Other current liabilities	16	650,596,842	510,379,655
Total Current Liabilities		17,184,815,363	17,222,485,124
Noncurrent Liabilities			
Noncurrent portion of long-term loans	15	11,650,457,761	11,755,122,322
Lease liabilities	19	33,827,242,904	32,731,125,380
Retirement benefits liability	24	1,295,298,962	1,383,056,698
Total Noncurrent Liabilities		46,772,999,627	45,869,304,400
Total Liabilities		63,957,814,990	63,091,789,524
Equity			
Capital stock	26	2,904,214,086	2,904,214,086
Additional paid-in capital		25,361,670,581	25,361,670,581
Retirement benefits reserve		151,224,280	(118,634,185)
Treasury stock		(112,593,218)	(71,253,489)
Retained earnings		47,171,476,499	40,425,722,939
Total Equity		75,475,992,228	68,501,719,932
		P139,433,807,218	P131,593,509,456

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31				
	<i>Note</i>	2021	2020	2019
NET SALES	17	P164,124,835,299	P168,632,328,716	P154,490,309,082
COST OF SALES	6, 18	134,042,067,009	139,476,212,627	128,539,759,134
GROSS INCOME		30,082,768,290	29,156,116,089	25,950,549,948
OTHER REVENUE	17, 19, 20	3,209,751,218	3,154,798,784	3,262,853,438
TOTAL GROSS INCOME AND OTHER REVENUE		33,292,519,508	32,310,914,873	29,213,403,386
OPERATING EXPENSES	21	20,350,317,319	18,953,230,825	17,829,772,403
INCOME FROM OPERATIONS		12,942,202,189	13,357,684,048	11,383,630,983
OTHER CHARGES				
Interest expense	10, 15, 19	2,784,113,290	2,268,551,686	2,068,485,175
Interest income	4, 7	(399,200,942)	(272,988,877)	(214,862,246)
Share in income of associate and joint ventures	9	-	(9,520,123)	(19,806,723)
Others - net	22	(94,528,066)	(61,482,317)	(30,006,151)
		2,290,384,282	1,924,560,369	1,803,810,055
INCOME BEFORE INCOME TAX		10,651,817,907	11,433,123,679	9,579,820,928
PROVISION FOR INCOME TAX				
Current		2,649,687,385	3,700,122,821	3,119,379,310
Deferred		(177,891,241)	(333,827,499)	(312,346,160)
	25	2,471,796,144	3,366,295,322	2,807,033,150
NET INCOME		8,180,021,763	8,066,828,357	6,772,787,778
OTHER COMPREHENSIVE INCOME				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of retirement benefits	24	371,012,567	(247,134,673)	(313,046,794)
Tax effect		(101,154,102)	74,032,947	93,773,328
		269,858,465	(173,101,726)	(219,273,466)
TOTAL COMPREHENSIVE INCOME		P8,449,880,228	P7,893,726,631	P6,553,514,312
Basic and diluted earnings per share	28	P2.85	P2.81	P2.37

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31							
			Additional Paid-in Capital	Retirement Benefits Reserve	Treasury Stock	Retained Earnings	Total Equity
	Note	Capital Stock					
Balance at January 1, 2019		P2,799,914,086	P20,830,391,081	P273,741,007	(P71,253,489)	P29,179,029,044	P53,011,821,729
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		2,904,214,086	25,361,670,581	54,467,541	(71,253,489)	33,650,251,214	61,899,349,933
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	8,066,828,357	8,066,828,357
Other comprehensive income		-	-	(173,101,726)	-	-	(173,101,726)
		-	-	(173,101,726)	-	8,066,828,357	7,893,726,631
Transaction with Owners of the Parent Company 26							
Cash dividends		-	-	-	-	(1,291,356,632)	(1,291,356,632)
Balance at December 31, 2020		2,904,214,086	25,361,670,581	(118,634,185)	(71,253,489)	40,425,722,939	68,501,719,932
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	8,180,021,763	8,180,021,763
Other comprehensive income		-	-	269,858,465	-	-	269,858,465
		-	-	269,858,465	-	8,180,021,763	8,449,880,228
Transaction with Owners of the Parent Company 26							
Treasury shares - at cost		-	-	-	(41,339,729)	-	(41,339,729)
Cash dividends		-	-	-	-	(1,434,268,203)	(1,434,268,203)
		-	-	-	(41,339,729)	(1,434,268,203)	(1,475,607,932)
Balance at December 31, 2021		P2,904,214,086	P25,361,670,581	P151,224,280	(P112,593,218)	P47,171,476,499	P75,475,992,228

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P10,651,817,907	P11,433,123,679	P9,579,820,928
Adjustments for:				
Depreciation and amortization	10, 11, 12, 21	4,633,632,273	4,282,164,425	3,780,806,466
Interest expense	10, 15, 19	2,784,113,290	2,268,551,686	2,068,485,175
Interest income	4, 7	(399,200,942)	(272,988,877)	(214,862,246)
Retirement benefits cost	21, 24	286,572,205	225,475,564	131,495,043
Gain from rent concessions	19, 22	(61,760,915)	-	-
Gain from lease terminations	19, 22	(27,660,711)	(29,810,766)	(42,460,046)
Gain from insurance claims	22	(6,378,701)	(513,124)	(3,503,436)
Loss (gain) on sale of financial assets	7	5,291,597	(36,229,953)	-
Unrealized valuation loss (gain) on financial assets at fair value through profit or loss	22	(3,212,598)	7,407,415	1,581,991
Dividend income	7, 22	(983,255)	(676,873)	(724,358)
Share in income of associate and joint ventures	9	-	(9,520,123)	(19,806,723)
Operating income before changes in working capital		17,862,230,150	17,866,983,053	15,280,832,794
Decrease (increase) in:				
Receivables		497,355,362	(702,716)	2,114,246,211
Merchandise inventories		(640,312,675)	(1,392,123,583)	205,626,735
Prepaid expenses and other current assets		(610,673,562)	(319,692,742)	(343,019,559)
Increase (decrease) in:				
Trade and other payables		37,376,057	1,156,968,755	265,642,922
Due to related parties		(3,700,084)	2,451,079	3,642,906
Other current liabilities		140,217,186	75,575,990	99,177,603
Cash generated from operations		17,282,492,434	17,389,459,836	17,626,149,612
Income taxes paid		(2,682,366,321)	(2,951,059,552)	(2,764,172,458)
Interest received		399,200,942	272,988,877	214,862,246
Retirement benefits paid	24	(3,317,374)	(8,638,936)	(3,952,095)
Net cash provided by operating activities		14,996,009,681	14,702,750,225	15,072,887,305
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	10	(3,665,291,732)	(3,205,692,561)	(3,776,100,027)
Intangibles	12	(32,665,649)	(28,678,027)	(40,972,316)
Financial assets at fair value through profit or loss		-	(7,883,862,048)	-
Proceeds from:				
Financial assets at fair value through profit or loss		2,378,570,451	5,536,229,953	-
Disposal of property and equipment	10	25,993,167	1,402,111	126,111,988
Insurance claims	22	6,378,701	513,124	3,503,436
Increase in other noncurrent assets	13	(50,798,935)	(176,461,823)	(86,174,295)
Dividends received	7	983,255	676,873	724,358
Net cash used in investing activities		(1,336,830,742)	(5,755,872,398)	(3,772,906,856)

Forward

Years Ended December 31				
	Note	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of lease:	19			
Interest expense		(P2,269,146,910)	(P2,121,718,052)	(P1,968,625,600)
Principal amount		(834,868,613)	(856,361,903)	(604,042,816)
Payments of:				
Cash dividends	26	(1,291,356,633)	(1,147,872,562)	(1,153,693,046)
Interest expense		(514,966,380)	(149,720,724)	(118,368,644)
Debt issuance cost		-	(129,000,000)	-
Repayments of:	15			
Long-term loans		(120,000,000)	(400,000,000)	(1,440,000,000)
Short-term loans		-	(501,570,353)	(4,254,729,647)
Acquisition of treasury shares		(41,339,729)	-	-
Availment of long-term loans	15	-	12,000,000,000	-
Proceeds from issuance of common shares	26	-	-	4,635,579,500
Net cash from (used in) financing activities		(5,071,678,265)	6,693,756,406	(4,903,880,253)
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,587,500,674	15,640,634,233	6,396,100,196
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		32,724,093,663	17,083,459,430	10,687,359,234
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P41,311,594,337	P32,724,093,663	P17,083,459,430

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	
	2021	2020
Kareila Management Corporation	100	100
S&R Pizza (Harbor Point), Inc. ^(a)	100	100
S&R Pizza, Inc. ^(a)	100	100
PPCI Subic, Inc.	100	100
Entenso Equities Incorporated	100	100
Purepadala, Inc. ^(b)	100	100

(a) Indirect subsidiaries through Kareila Management Corporation

(b) Not yet started operations

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

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

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

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 11, 2022.

Historical cost is used as the measurement basis except for:

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

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

Functional and Presentation Currency

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

Significant Judgments, Estimates and Assumptions

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

Judgments

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

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

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

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

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

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

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

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

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

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

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

Rent income recognized in profit or loss amounted to P364.5 million, P277.0 million and P463.9 million in 2021, 2020 and 2019, respectively.

Estimates

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

Estimating Allowance for Impairment Losses on Receivables (Notes 5 and 29)

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

The carrying amount of receivables amounted to P2.2 billion and P2.7 billion as at December 31, 2021 and 2020, respectively.

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

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

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

The carrying amount of merchandise inventories amounted to P21.6 billion and P20.9 billion as at December 31, 2021 and 2020, respectively.

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

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

The carrying amounts of goodwill and other intangibles with indefinite lives totaled P19.5 billion as at December 31, 2021 and 2020.

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, 2021 and 2020.

As at December 31, 2021 and 2020, the following are the carrying amounts of nonfinancial assets:

	Note	2021	2020
Right-of-use assets - net	11	P26,216,543,708	P26,137,182,954
Property and equipment - net	10	23,069,507,813	21,966,176,496
Investment in associate and joint venture	9	636,548,430	636,548,430
Computer software and licenses, and leasehold rights	12	201,869,669	214,358,035

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, 2021 and 2020, the Group recognized deferred tax assets amounting to P1.3 billion.

Estimating Retirement Benefits Liability (Note 24)

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

Retirement benefits liability amounted to P1.3 billion and P1.4 billion as at December 31, 2021 and 2020, respectively.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards and Frameworks

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

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

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

The Group adopted these amendments and elected to apply the practical expedient to eligible rent concessions which resulted in the recognition of gain from rent concessions in profit loss amounting to P61.8 million in 2021.

Standards Issued but Not Yet Adopted

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

Effective April 1, 2021

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

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

Effective January 1, 2022

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

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

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

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

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

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

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards:
 - *Subsidiary as a First-time Adopter (Amendment to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards)*. The amendment simplifies the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of parent, based on the parent's date of transition to PFRS.
 - *Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments)*. The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16 Leases)*. The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive
 - *Taxation in Fair Value Measurements (Amendment to PAS 41 Agriculture)*. The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13 Fair Value Measurement.

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

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

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

Effective January 1, 2023

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

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

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

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024. Comments on the Exposure Draft is due on March 21, 2022.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

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

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

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

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

Consolidation

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

Business Combinations

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

Statement of Cash Flows

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

Segment Reporting

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

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

Financial Instruments

Financial Assets

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

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

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

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

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

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

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, credit assessment and including forward-looking information.

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

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

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

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

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

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

Financial Assets at Amortized Cost

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

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

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

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

Financial Assets at FVOCI

A debt financial asset is measured at FVOCI if both i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI.

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

The Group's unquoted equity securities are included in this category. The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at December 31, 2021 and 2020.

Financial Assets at FVTPL

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

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

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

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

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

As of December 31, 2021 and 2020, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

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

Financial Liabilities

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

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

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

- (a) financial liabilities designated by the Group at initial recognition as at fair value through profit or loss, when doing so results in more relevant information.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

- (c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
- (d) financial guarantee contracts and commitments to provide a loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

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

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

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

Offsetting Financial Instruments

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

Fair Value Measurements

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

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

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

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

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

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

Cash and Cash Equivalents

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

Merchandise Inventories

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Investment in Associates and Joint Arrangements

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

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

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

Intangible Assets

Goodwill and Impairment of Goodwill

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

Other Intangible Assets

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

Impairment of Non-current Assets Other than Goodwill

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

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

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

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

Other Comprehensive Income

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

Revenue Recognition

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

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

Contract Balances

Receivables

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

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

Contract Liabilities

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

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

Cost and Expense Recognition

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

Vendor Rebates and Allowances

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

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

Operating Expenses

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

Leases

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

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

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

As a Lessee

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

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

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

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

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

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

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

Variable Lease Payments

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

Lease Modifications as a Lessee

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

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

COVID-19-Related Rent Concessions

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

Short-term Leases and Leases of Low-value Assets

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

As a Lessor

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

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

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

Borrowing Costs

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

Income Taxes

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

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

Current Tax

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

Deferred Tax

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

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

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

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

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

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

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

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

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

Value Added Tax (VAT)

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

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

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

Basic and Diluted Earnings Per Share (EPS)

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

Related Parties

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

Provisions and Contingencies

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

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

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

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account consists of:

	Note	2021	2020
Cash on hand		P567,049,234	P774,855,494
Cash in banks	29	8,298,899,619	10,281,958,993
Money market placements	29	32,445,645,484	21,667,279,176
		P41,311,594,337	P32,724,093,663

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

Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with annual interest rates ranging from 0.3% to 3.1% in 2021, 0.8% to 3.4% in 2020, and 2.6% to 5.8% in 2019.

Interest income earned from cash in banks and money market placements totaled P383.6 million, P270.5 million and P214.9 million in 2021, 2020 and 2019, respectively.

5. Receivables

This account consists of:

	Note	2021	2020
Trade receivables	23	P1,325,601,037	P1,672,970,351
Less allowance for impairment losses		7,462,327	7,462,327
		1,318,138,710	1,665,508,024
Nontrade receivables	23	860,760,511	1,010,746,559
	29	P2,178,899,221	P2,676,254,583

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

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

6. Merchandise Inventories

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

The Group's merchandise inventories at cost amounted to P21.6 billion and P20.9 billion as at December 31, 2021 and 2020, respectively.

Inventory charged to the cost of sales amounted to P134.0 billion, P139.5 billion and P128.5 billion in 2021, 2020 and 2019, respectively (see Note 18).

7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	Note	2021	2020
Held-for-trading:	22, 29		
Equity securities		P30,725,784	P27,513,186
Government securities		-	P2,383,862,048
		P30,725,784	P2,411,375,234

The Group recognized gain (loss) on sale of government securities amounting to (P5.3) million and P36.2 million in 2021 and 2020, respectively (see Note 22).

Interest income on government securities amounted to P15.6 million and P2.5 million in 2021 and 2020, respectively.

Dividend income on equity securities amounted to P1.0 million in 2021 and P0.7 million each in 2020 and 2019 (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2021	2020
Prepaid expenses	P403,698,352	P266,369,411
Deferred input VAT	395,379,462	337,817,417
Input VAT	50,271,451	47,989,074
Creditable withholding tax	1,507,115	5,931,034
	P850,856,380	P658,106,936

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

The details of prepaid expenses are as follows:

	2021	2020
Taxes and licenses	P123,525,428	P125,360,561
Insurance	133,452,127	73,780,496
Advertising and promotion	68,827,919	11,095,576
Supplies	57,886,375	33,740,309
Repairs and maintenance	7,160,720	3,753,287
Others	12,845,783	18,639,182
	P403,698,352	P266,369,411

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

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

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

9. Investment in Associate and Joint Venture

The details of this account are as follows:

	2021	2020
Associate	P461,152,697	P461,152,697
Joint venture	175,395,733	175,395,733
	P636,548,430	P636,548,430

Investment in Associate

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

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

	2021	2020
Balance at beginning of the year	P461,152,697	P447,585,544
Share in net income	-	9,520,123
Other adjustments	-	4,047,030
Balance at end of year	P461,152,697	P461,152,697

**See footnote below.*

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.

	2021*	2020
Percentage of ownership	49.34%	49.34%
Current assets	P824,252,714	P4,892,031,522
Noncurrent assets	773,700,796	811,536,266
Current liabilities	(643,647,604)	(871,930,420)
Noncurrent liabilities	(615,854,604)	(4,456,496,386)
Net assets	338,451,302	375,140,982
Group's share in net assets	166,991,872	185,094,561
Goodwill	276,058,136	276,058,136
Unrecognized share in net loss	5,307,278	-
Others*	12,795,411	-
Carrying amount of interest in associate	P461,152,697	P461,152,697
Net sales	P4,655,176,247	P5,854,701,965
Net income (loss)	(10,756,543)	19,294,939
Group's share in net income (loss)	(P5,307,278)**	P9,520,123

**Unrecognized prior period adjustments based on unaudited amounts*

***Unrecognized share in loss based on unaudited amounts*

Investment in Joint Venture

AyaGold Retailers, Inc.

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

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

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

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

	2021	2020
Balance at beginning of year	P175,395,733	P175,395,733
Share in net income*	-	-
Balance at end of year	P175,395,733	P175,395,733

*See footnote below.

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:

	2021	2020
Percentage of ownership	50%	50%
Current assets	P253,419,885	P295,591,774
Noncurrent assets	458,231,584	455,987,422
Total liabilities	(512,283,388)	(398,688,147)
Net assets	199,368,081	352,891,049
Group's share in net assets	99,684,041	176,445,524
Unrecognized share in net loss (gain)	9,871,558	(1,049,791)
Others*	65,840,134	-
Carrying amount of interest in joint venture	P175,395,733	P175,395,733
Net sales	P537,759,229	P697,594,488
Net income (loss)	(19,743,115)	2,099,583
Group's share in income (loss)**	(P9,871,558)	P1,049,791

*Unrecognized prior period adjustments based on unaudited amounts

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

10. Property and Equipment

The movements in this account are as follows:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, January 1, 2020	P6,660,775,009	P3,004,027,203	P9,930,648,393	P12,303,356,162	P436,227,845	P1,403,857,751	P33,738,892,363
Additions	104,575,833	209,288,083	748,454,587	942,689,811	500,664,000	701,858,410	3,207,530,724
Reclassifications	55,819,302	15,688,662	180,649,163	606,737,904	-	(858,895,031)	-
Disposals	(849,310)	(809,940)	(18,481,242)	(179,067,758)	-	-	(199,208,250)
Balance, December 31, 2020	6,820,320,834	3,228,194,008	10,841,270,901	13,673,716,119	936,891,845	1,246,821,130	36,747,214,837
Additions	130,218,312	202,821,027	840,831,202	843,286,303	320,424,960	1,344,729,226	3,682,311,030
Reclassifications	71,329,253	39,067,907	563,288,067	1,290,288,896	-	(1,963,974,123)	-
Disposals	(8,051,221)	(9,069,339)	(53,847,865)	(18,182,021)	(683,516)	-	(89,833,962)
Balance, December 31, 2021	7,013,817,178	3,461,013,603	12,191,542,305	15,789,109,297	1,256,633,289	627,576,233	40,339,691,905
Accumulated Depreciation							
Balance, January 1, 2020	1,505,584,941	1,544,745,088	6,723,444,461	2,803,427,008	-	-	12,577,201,498
Depreciation	223,540,151	258,513,522	1,152,000,317	767,588,992	-	-	2,401,642,982
Reclassifications	212,773	-	-	(212,773)	-	-	-
Disposals	(473,213)	(812,939)	(17,452,230)	(179,067,757)	-	-	(197,806,139)
Balance, December 31, 2020	1,728,864,652	1,802,445,671	7,857,992,548	3,391,735,470	-	-	14,781,038,341
Depreciation	232,193,504	269,354,497	1,147,810,844	903,627,701	-	-	2,552,986,546
Reclassifications	5,248,757	(765,302)	208,081	(4,691,536)	-	-	-
Disposals	(1,878,618)	(5,986,684)	(48,758,136)	(7,217,357)	-	-	(63,840,795)
Balance, December 31, 2021	1,964,428,295	2,065,048,182	8,957,253,337	4,283,454,278	-	-	17,270,184,092
Carrying Amount							
December 31, 2020	P5,091,456,182	P1,425,748,337	P2,983,278,353	P10,281,980,649	P936,891,845	P1,246,821,130	P21,966,176,496
December 31, 2021	P5,049,388,883	P1,395,965,421	P3,234,288,968	P11,505,655,019	P1,256,633,289	P627,576,233	P23,069,507,813

Interest expense on loans capitalized as part of property and equipment amounted to P17.0 million, P2.9 million and P12.0 million in 2021, 2020 and 2019, respectively (see Note 15).

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P5.6 billion and P4.3 billion as at December 31, 2021 and 2020, respectively.

11. Right-of-Use Assets

The movements in this account are as follows:

	2021	2020
Cost		
Balance at January 1	P37,169,222,475	P33,014,871,924
Additions	2,901,842,690	2,700,793,126
Modifications to leases	36,872,615	1,612,512,914
Terminated leases	(809,971,135)	(137,882,964)
Derecognition of right-of-use assets	(117,338,732)	(21,072,525)
Balance at December 31	39,180,627,913	37,169,222,475
Accumulated Depreciation		
Balance at January 1	11,032,039,521	9,190,189,876
Depreciation	2,066,919,205	1,874,771,949
Modifications to leases	(9,620,289)	
Terminated leases	(7,915,503)	(11,849,779)
Derecognition of right-of-use assets	(117,338,729)	(21,072,525)
Balance at December 31	12,964,084,205	11,032,039,521
Carrying Amount at December 31	P26,216,543,708	P26,137,182,954

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:

	2021	2020
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	156,704,708	167,011,990
Leasehold rights - net	45,164,961	47,346,045
	P19,703,406,518	P19,715,894,884

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

The details of goodwill are as follows:

	2021	2020
Kareila	P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	837,974,199	837,974,199
Gant	742,340,804	742,340,804
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	685,904,317	685,904,317
Company E	358,152,015	358,152,015
Black & White (B&W) Supermart	187,203,888	187,203,888
Puregold Junior Supermarket, Inc. (PJSI)	11,374,263	11,374,263
	P14,902,423,321	P14,902,423,321

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

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

VIU

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

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

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

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

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	2021	2020
Cost		
Balance at January 1	P445,836,801	P417,158,774
Additions	32,665,649	28,678,027
Disposal/adjustments	(1,046,356)	-
Balance at December 31	477,456,094	445,836,801
Accumulated Amortization		
Balance at January 1	278,824,811	239,173,716
Amortization*	42,580,888	39,651,095
Disposal/adjustments	(654,313)	-
Balance at December 31	320,751,386	278,824,811
Carrying Amount At December 31	P156,704,708	P167,011,990

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

Leasehold Rights

The movements in leasehold rights are as follows:

	2021	2020
Cost		
Balance at January 1	P75,355,005	P75,355,005
Accumulated Amortization		
Balance at January 1	28,008,960	24,241,211
Amortization*	2,181,084	3,767,749
Balance at December 31	30,190,044	28,008,960
Carrying Amount at December 31	P45,164,961	P47,346,045

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

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

13. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	2021	2020
Security deposits	29	P2,131,956,985	P2,091,761,905
Advances to contractors		375,610,840	359,695,752
Accrued rent income	19, 25	27,308,219	32,619,452
Others		7,879,160	7,879,160
		P2,542,755,204	P2,491,956,269

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>	2021	2020
Trade	23, 29	P10,123,667,767	P9,358,065,622
Nontrade	23, 29	1,198,824,060	1,839,972,653
Dividends payable	26, 29	1,434,268,203	1,291,356,633
Withholding taxes payable		136,252,126	277,059,070
Accrued expenses:	29		
Manpower agency services		772,940,468	944,392,380
Fixed assets		200,869,378	1,048,926
Utilities		162,755,182	186,394,878
Rent		91,670,579	80,445,096
Supplies		79,447,463	134,746,325
Others		222,005,203	228,025,254
		P14,422,700,429	P14,341,506,837

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.

15. Long-term Loans

This account consists of:

	Note	2021	2020
Unsecured Peso Denominated			
Fixed-rate Notes of Parent Company		P11,880,000,000	P12,000,000,000
Unamortized Debt Issue Cost		(109,542,239)	(124,877,678)
	29	11,770,457,761	11,875,122,322
Less current portion		(120,000,000)	(120,000,000)
Noncurrent portion		P11,650,457,761	P11,755,122,322

Fixed-rate Notes of Parent Company

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

The notes are subject to certain affirmative and negative covenants such as those relating to merger and consolidation, declaration of dividends and maintenance of financial ratios of at least 1.0x current ratio and not more than 2.5x debt-to-equity ratio, among others. The Company is compliant with the loan covenants as at December 31, 2021 and 2020.

The current portion in prior year amounting to P120.0 million was reclassified from noncurrent to conform to the current year presentation.

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

The movements in debt issue cost are as follows:

	2021	2020
Balance at beginning of the year	P124,877,678	P -
Additions	-	129,000,000
Amortization	(15,335,439)	(4,122,322)
Balance at end of the year	P109,542,239	P124,877,678

Fixed-rate Note of Kareila

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

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

Interest expense charged to profit or loss amounted to P514.9 million, P146.8 million and P99.9 million in 2021, 2020 and 2019, 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 14 and 26)	Lease Liabilities	Total
Balance at January 1, 2021	P -	P11,875,122,322	P1,291,356,633	P33,627,625,966	P46,794,104,921
Changes from financing cash flows:					
Payment of loans	-	(120,000,000)	-	-	(120,000,000)
Lease payments	-	-	-	(3,104,015,523)	(3,104,015,523)
Payment of dividends	-	-	(1,291,356,633)	-	(1,291,356,633)
Total changes from financing cash flows	-	(120,000,000)	(1,291,356,633)	(3,104,015,523)	(4,515,372,156)
Other changes:					
<i>Liability-related</i>					
Additions	-	-	-	2,784,955,014	2,784,955,014
Amortization of debt issue cost	-	15,335,439	-	-	15,335,439
Other lease adjustments	-	-	-	1,610,400,633	1,610,400,633
Declaration of dividends	-	-	1,434,268,203	-	1,434,268,203
Total liability-related changes	-	15,335,439	1,434,268,203	4,395,355,647	5,844,959,289
Balance at December 31, 2021	P-	P11,770,457,761	P1,434,268,203	P34,918,966,090	P48,123,692,054

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 14 and 26)	Lease Liabilities	Total
Balance at January 1, 2020	P501,570,353	P400,000,000	P1,147,872,562	P30,415,745,177	P32,465,188,092
Changes from financing cash flows:					
Payment of loans	(501,570,353)	(400,000,000)	-	-	(901,570,353)
Availment of loans	-	12,000,000,000	-	-	12,000,000,000
Payment of debt issuance cost	-	(129,000,000)	-	-	(129,000,000)
Lease payments	-	-	-	(2,978,079,955)	(2,978,079,955)
Payment of dividends	-	-	(1,154,420,606)	-	(1,154,420,606)
Total changes from financing cash flows	(501,570,353)	11,471,000,000	(1,154,420,606)	(2,978,079,955)	6,836,929,086
Other changes:					
<i>Liability-related</i>					
Additions	-	-	-	4,739,875,233	4,739,875,233
Amortization of debt issue cost	-	4,122,322	-	-	4,122,322
Other lease adjustments	-	-	-	1,450,085,511	1,450,085,511
Declaration of dividends	-	-	1,297,904,677	-	1,297,904,677
Total liability-related changes	-	4,122,322	1,297,904,677	6,189,960,744	7,491,987,743
Balance at December 31, 2020	P -	P11,875,122,322	P1,291,356,633	P33,627,625,966	P46,794,104,921

16. Other Current Liabilities

This account consists of:

	Note	2021	2020
Deposits from tenants	19, 29	P240,107,291	P226,788,588
Unredeemed gift certificates		204,842,310	210,388,129
VAT payable		192,310,210	63,873,811
Promotion fund		10,024,461	9,151,979
Others	29	3,312,570	177,148
		P650,596,842	P510,379,655

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, 2021 and 2020. 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 as at December 31:

	2021	2020
Beginning balance	P210,388,129	P157,477,311
Add receipts	578,632,574	724,624,518
Less sales recognized	584,178,393	671,713,700
Ending balance	P204,842,310	P210,388,129

17. Revenue from Contract with Customers

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

	Note	2021	2020	2019
Net sales from stores		P164,124,835,299	P168,632,328,716	P154,490,309,082
Concession fee income	20	2,030,608,968	2,095,903,559	2,056,097,023
Membership fee income	20	617,841,418	628,621,259	572,713,780
Revenue from contract with customers		P166,773,285,685	P171,356,853,534	P157,119,119,885

18. Cost of Sales

This account for the years ended December 31 consists of:

	Note	2021	2020	2019
Beginning inventory	6	P20,918,320,287	P19,526,196,704	P19,731,823,439
Add purchases		134,682,379,684	140,868,336,210	128,334,132,399
Total goods available for sale		155,600,699,971	160,394,532,914	148,065,955,838
Less ending inventory	6	21,558,632,962	20,918,320,287	19,526,196,704
		P134,042,067,009	P139,476,212,627	P128,539,759,134

19. Leases

Lessee

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

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

	2021	2020
Due within one year	P1,091,723,186	P896,500,586
Due beyond one year	33,827,242,904	32,731,125,380
	P34,918,966,090	P33,627,625,966

The movements in lease liabilities are as follows:

	Note	2021	2020
Balance at January 1		P33,627,625,966	P30,415,745,177
Additions		2,751,144,650	2,618,157,181
Accretion of interest expense		2,269,146,910	2,121,718,052
Repayments		(3,104,015,523)	(2,978,079,955)
Terminations		(593,507,335)	(162,427,403)
Modifications		(31,428,578)	1,612,512,914
Balance at December 31	29	P34,918,966,090	P33,627,625,966

The maturity analysis of the undiscounted lease payments as at December 31:

	2021	2020
Less than one year	P3,208,819,204	P2,938,213,635
One to five years	13,796,000,532	12,382,710,012
More than five years	43,357,516,379	40,922,206,271
	P60,362,336,115	P56,243,129,918

The following are the amounts recognized in profit or loss:

	2021	2020
Variable lease payments not included in the measurement of lease liabilities*	P556,044,854	P667,702,511
Expenses related to leases of low-value assets	30,573,214	32,078,482
Expenses related to short-term leases	9,416,424	8,479,894
Total rent expense	596,034,492	708,260,887
Interest accretion on lease liabilities	2,269,146,910	2,121,718,052
Depreciation charge for right-of-use assets	2,066,919,205	1,874,771,949
Gain from rent concessions	(61,760,915)	-
Gain from lease terminations	(27,660,711)	(29,810,766)

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

Total cash outflows for all leases amounted to P3.7 billion in 2021 and 2020. Security deposits under "Other noncurrent assets" in the consolidated statements of financial position amounted to P2.1 billion as at December 31, 2021 and 2020.

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 P364.5 million, P277.0 million and P463.9 million in 2021, 2020 and 2019, respectively (see Note 20).

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

	2021	2020
Less than one year	P233,940,919	P252,349,078
One to two years	150,572,921	151,804,171
Two to three years	91,346,459	107,462,635
Three to four years	62,197,152	62,836,589
Four to five years	44,192,547	33,675,791
More than five years	958,246,823	43,755,679
	P1,540,496,821	P651,883,943

20. Other Revenue

This account consists of:

	Note	2021	2020	2019
Concession fee income	17	P2,030,608,968	P2,095,903,559	P2,056,097,023
Membership fee income	17	617,841,418	628,621,259	572,713,780
Rent income	19	364,546,034	277,001,663	463,941,849
Miscellaneous		196,754,798	153,272,303	170,100,786
		P3,209,751,218	P3,154,798,784	P3,262,853,438

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:

	Note	2021	2020	2019
Depreciation and amortization	10, 11, 12	P4,633,632,273	P4,282,164,425	P3,780,806,466
Manpower agency services		3,510,188,962	3,512,779,356	3,492,753,742
Communication, light and water		2,415,601,655	2,140,040,278	2,382,736,196
Salaries and wages		2,337,430,784	2,210,844,220	2,123,354,354
Security services		1,065,779,102	972,188,423	937,639,989
Taxes and licenses		962,824,841	922,497,350	808,850,133
Repairs and maintenance		685,309,791	532,075,409	499,799,076
Store and office supplies		636,149,811	584,431,644	562,041,985
Rent	19	596,034,492	708,260,887	628,574,030
Credit card charges		479,227,953	447,035,439	356,308,987
Advertising and marketing		464,246,519	470,763,449	346,541,780
Transportation		426,350,865	239,442,584	138,340,015
Retirement benefits cost	24	286,572,205	225,475,564	131,495,043
Insurance		232,779,599	221,397,715	206,746,899
SSS/Medicare and HDMF contributions		213,835,772	183,505,374	184,384,889
Input VAT on exempt sales		203,180,491	229,374,260	239,068,606
Janitorial and messengerial services		195,688,239	197,998,039	202,192,326
Other selling expenses		178,727,573	165,536,591	183,355,869
Representation and entertainment		132,869,776	133,164,444	121,756,140
Fuel and oil		97,327,650	73,245,310	77,705,076
Royalty	23	57,335,542	61,960,646	58,896,798
Professional fees		32,197,150	27,728,325	35,647,131
Donations and contributions		1,000,000	25,125,192	-
Miscellaneous		506,026,274	386,195,901	330,776,873
		P20,350,317,319	P18,953,230,825	P17,829,772,403

22. Others

This account consists of:

	Note	2021	2020	2019
Gain from rent concessions	19	P61,760,915	P -	P -
Gain from lease terminations	19	27,660,711	29,810,766	42,460,046
Gain from insurance claims		6,378,701	513,124	3,503,436
Gain (loss) from sale of financial assets	7	(5,291,597)	36,229,953	-
Unrealized valuation gain (loss) on financial assets at FVTPL	7	3,212,598	(7,407,415)	(1,581,991)
Bank charges		(2,263,968)	(4,819,458)	(14,551,874)
Foreign exchange gains (losses)		2,087,451	2,431,444	(547,824)
Dividend income	7	983,255	676,873	724,358
Others		-	4,047,030	-
		P94,528,066	P61,482,317	P30,006,151

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	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	2021		P705,433,594	P -	P -	P -	P705,433,594	P -	Due and demandable	Unsecured
	2020		634,890,235	-	-	-	634,890,235	-		
Interest expense	2021	d	-	-	-	-	-	-		
	2020		1,603,845	-	-	-	-	-		
Entities under Common Control										
Leases	2021	a	1,258,258,892	-	997,211	-	5,727,874,802	-	Due and demandable	Unsecured; no impairment
	2020		1,106,708,930	-	808,983	-	4,150,693,309	-		
Concession expense	2021	b	245,531,276	-	-	-	-	-	Due and demandable	Unsecured
	2020		382,544,009	-	-	-	-	-		
Short-term investments	2021	4	-	-	-	-	-	-	Original maturity of less than 3 months	
	2020		3,320,402,583	-	-	-	-	-		
Purchase of merchandise	2021		3,310,393,196	-	-	843,725,582	-	-	Due and demandable	Unsecured
	2020		2,013,231,892	-	-	668,693,569	-	-		
Sale of merchandise	2021		93,015,565	93,323,089	-	-	-	-	Due and demandable	Unsecured; no impairment
	2020		89,058,730	62,058,898	-	-	-	-		
Security deposits	2021	a	9,219,373	-	29,786	-	201,275	-	Due and demandable	Unsecured; no impairment
	2020		76,000,192	-	20,358	-	2,784,888	-		
Advances	2021		-	-	116,000,000	-	-	-	Due and demandable	Unsecured; no impairment
	2020		-	-	116,000,000	-	-	-		
Management fee	2021		10,754,262	-	-	-	1,815,380	-	Due and demandable	Unsecured
	2020		8,329,308	-	-	-	5,705,121	-		
Fixed asset	2021		438,965	-	123,043,049	-	34,588	-	Due and demandable	Unsecured
	2020		11,789	-	123,617,038	-	-	-		
Loans	2021	d	4,522,871	-	-	-	4,522,871	-	Due and demandable	
	2020		1,570,353	-	-	-	-	-		
Expense reimbursement	2021		228,675,392	-	8,634,799	-	12,107,587	-	Due and demandable	Unsecured
	2020		220,555,229	-	7,684,888	-	-	-		
Stockholder										
Royalty expense	2021	c	57,335,542	-	-	-	-	45,868,433	30 years and subject to renewal	Unsecured
	2020		61,960,646	-	-	-	-	49,568,517		
Leases	2021	a	25,381,446	-	-	-	2,192,417	-		
	2020		24,621,714	-	-	-	-	-		
Key Management Personnel										
Short-term benefits	2021		39,630,329	-	-	-	-	-		
	2020		38,651,781	-	-	-	-	-		
Total	2021			P93,323,089	P248,704,845	P843,725,582	P6,454,182,514	P45,868,433		
Total	2020			P62,058,898	P248,131,267	P668,693,569	P4,794,073,553	P49,568,517		

a. Leases - Group as a Lessee

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

b. Consignment and Concession

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

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

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the 4 stores.
- The Consignor shall give the Consignee a trade or volume discount of its gross sales.
- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.
- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.
- In exchange, the consignor gives the consignee a trade or volume discount in the amount equivalent to 5.0% of the consignee's gross sales which was increased to 15.0% on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of 10.0% of the Consignee's gross sales.

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

- The Consignor shall pay the Consignee 4.0% monthly consignment/concession fee based on the Consignor's monthly gross sales.
- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

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

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

c. License Agreement

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

d. Loans

Cosco

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

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

Puregold Finance

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

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

Significant Related Party Transactions and Balances Eliminated During Consolidation

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

	2021	2020
Sales	P47,758,068	P11,326,461
Trade receivable	47,758,068	11,326,461

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

	2021	2020
Cost of sales	P192,404	P112,195
Trade payable	192,404	112,195

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

	Amount of Transaction	2021	2020
Dividend receivable	P671,838,000	P671,838,000	P475,000,000

24. Retirement Benefits Liability

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

Salient Provisions of the Retirement Plan

Normal Retirement (Minimum Retirement Law, RA 7641)

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

The reconciliation of the liability recognized in the consolidated statements of financial position as at December 31 is as follows:

	2021	2020
Present value of defined benefit obligation	P1,325,171,983	P1,413,074,310
Fair value of plan assets	(29,873,021)	(30,017,612)
Retirement benefits liability	P1,295,298,962	P1,383,056,698

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

	2021	2020
Balance at January 1	P1,413,074,310	P947,535,634
Included in Profit or Loss		
Current service cost	233,246,502	177,499,305
Interest cost	54,511,399	49,461,361
	287,757,901	226,960,666
Benefits paid/Transfer to affiliated Company	(5,977,948)	(8,638,936)
Included in Other Comprehensive Income		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	(331,499,339)	319,027,413
Demographic assumptions	(45,071,487)	(71,810,467)
Experience adjustments	6,888,546	-
	(369,682,280)	247,216,946
Balance at December 31	P1,325,171,983	P1,413,074,310

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

	2021	2020
Beginning of the year	P30,017,612	P28,450,238
Interest income	1,185,696	1,485,102
Remeasurement gain (loss)	(1,330,287)	82,272
End of the year	P29,873,021	P30,017,612

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

	2021	2020
Beginning of year	P169,529,597	(P77,605,076)
Actuarial losses for the year	(371,012,567)	247,134,673
Ending balance	(P201,482,970)	P169,529,597

The cumulative actuarial gain or loss, net of income tax effect, amounted to P151.2 million and P118.6 million as at December 31, 2021 and 2020, respectively, 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:

	2021	2020
Cash in banks	P292,755	P3,293,644
Debt instruments - government securities	15,826,727	26,527,304
Trust fees payable	(47,797)	(14,073)
Other receivables	13,801,336	210,737
	P29,873,021	P30,017,612

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

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

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

	2021	2020
Discount rate	5.08%	3.95%
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, 2021 and 2020 is 20.2 years and 21.5 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:

2021

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

2020

	Increase	Decrease
Discount rate (1% movement)	(P194,736,750)	P331,024,709
Future salary increase rate (1% movement)	314,682,171	(252,853,997)

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

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

The 10-year maturity analysis of the benefit payments:

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

	2020				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,413,074,310	P252,852,978	P38,533,853	P49,461,016	P164,858,109

25. Income Taxes

The components of income tax expense are as follows:

	2021	2020	2019
Current tax expense	P2,649,687,385	P3,700,122,821	P3,119,379,310
Deferred tax benefit	(177,891,241)	(333,827,499)	(312,346,160)
	P2,471,796,144	P3,366,295,322	P2,807,033,150

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:

	2021	2020	2019
Income before income tax	P10,651,817,907	P11,433,123,679	P9,579,820,928
Income tax expense at the statutory income tax rates:			
Regular - 25% in 2021 and 30% in 2020 and 2019	P2,820,882,695	P3,560,797,495	P2,980,839,381
Special - 5%	2,838,680	3,322,110	5,887,079
Income tax effects of:			
Dividend income exempt from tax	(170,455,314)	(144,464,413)	(148,063,452)
Effect of change in tax rate	(108,286,764)	-	-
Interest income subject to final tax	(99,014,425)	(81,896,663)	(62,677,441)
Nondeductible interest expense	22,329,670	33,782,374	4,476,385
Nondeductible other expenses	8,667,030	9,871,798	28,025,380
Nontaxable income	(5,165,428)	(4,248,393)	-
Other income subject to final tax	-	(10,868,986)	(1,700,063)
Changes in unrecognized DTA/DTL	-	-	245,881
	P2,471,796,144	P3,366,295,322	P2,807,033,150

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

	2021		2020	
	Amount	DTA (DTL)	Amount	DTA (DTL)
PFRS 16*	P8,663,720,544	P2,165,930,136	P7,435,070,339	P2,230,521,102
Retirement benefits liability	1,493,334,225	373,333,557	1,213,527,101	363,373,202
Allowance for impairment losses on receivables	7,462,327	1,865,582	7,462,327	2,238,698
Recognition of DTA due to Merger	389,731	97,433	389,731	116,919
Actuarial loss	-	-	169,529,597	50,869,693
DTA	10,164,906,827	2,541,226,708	8,825,979,095	2,647,119,614
Fair value of intangible assets from business combination	(4,599,113,528)	(1,149,778,382)	(4,599,113,528)	(1,379,734,058)
Actuarial gain	(201,137,638)	(50,284,410)	-	-
Accrued rent income	(27,308,219)	(6,827,055)	(32,619,452)	(9,785,836)
DTL	(4,827,559,385)	(1,206,889,847)	(4,631,732,980)	(1,389,519,894)
Net	P5,337,347,442	P1,334,336,861	P4,194,246,115	P1,257,599,720

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

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

26. Equity

Capital Stock and Additional Paid-in Capital

The Parent Company's authorized, issued and outstanding common shares as at December 31 are as follows:

	2021	2020	2019
Common shares- P1 par value			
Authorized	3,000,000,000	3,000,000,000	3,000,000,000
Issued	2,904,214,086	2,904,214,086	2,904,214,086
Treasury shares	(35,677,680)	(34,532,680)	(34,532,680)
	2,868,536,406	2,869,681,406	2,869,681,406

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

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

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

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

Treasury Stock

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

	2021	2020	2019
Balance at beginning of year	34,532,680	34,532,680	34,532,680
Additions	1,145,000	-	-
Balance at end of year	35,677,680	34,532,680	34,532,680

On February 26, 2013, the SEC approved the application for merger of the Parent Company, PJSI and Gant. As a consideration for the said merger, the Parent Company issued shares of stocks equivalent to 16,911,162 shares at P26.6 per share. As a result, 16,911,006 shares of the total shares issued held by the Parent Company were recognized as treasury stock.

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

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

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

Retained Earnings

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

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

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

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

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

27. Segment Information

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

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

28. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	2021	2020	2019
Net income (a)	P8,180,021,763	P8,066,828,357	P6,772,787,778
Weighted average number of ordinary shares (b)	2,869,095,989	2,869,681,406	2,860,989,739
Basic/diluted EPS (a/b)	P2.85	P2.81	P2.37

As at December 31, 2021, 2020 and 2019, the Group has no dilutive debt or equity instruments.

29. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

	Note	2021	2020
Cash in banks and cash equivalents	4	P40,744,545,103	P31,949,238,169
Receivables - net	5	2,178,899,221	2,676,254,583
Financial assets at fair value through profit or loss	7	30,725,784	2,411,375,234
Security deposits*	13	2,131,956,985	2,091,761,905
		P45,086,127,093	P39,128,629,891

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

*Included under noncurrent assets.

	As of December 31, 2020			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P31,949,238,169	P -	P -	P31,949,238,169
Receivables - net	-	2,676,254,583	-	2,676,254,583
Financial assets at fair value through profit or loss	2,411,375,234	-	-	2,411,375,234
Security deposits*	2,091,761,905	-	-	2,091,761,905
	P36,452,375,308	P2,676,254,583	P -	P39,128,629,891

*Included under noncurrent assets.

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

- a. Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low 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 standard grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as standard grade as these are paid through salary deductions and have a high probability of collections.
- c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.
- d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

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

	2021		2020	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P1,091,371,294	P -	P1,251,150,122	P -
Past due 1 - 30 days	549,937,776	-	1,010,270,542	-
Past due 31 - 60 days	201,250,818	-	115,867,940	-
More than 60 days	343,801,660	7,462,327	306,428,306	7,462,327
	P2,186,361,548	P7,462,327	P2,683,716,910	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, 2021					
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P14,286,448,303	P14,286,448,303	P14,286,448,303	P -	P -
Due to related parties	45,868,433	45,868,433	45,868,433	-	-
Lease liabilities	34,918,966,090	60,362,336,115	3,208,819,204	13,796,000,532	43,357,516,379
Long-term loans including current portion**	11,770,457,761	15,418,859,363	500,593,500	2,002,374,000	12,915,891,863
Other current liabilities***	243,419,861	243,419,861	243,419,861	-	-

*excluding statutory payables to the government

**contractual cash flows include future interest payment

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

As at December 31, 2020					
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P14,064,447,767	P14,064,447,767	P14,064,447,767	P -	P -
Due to related parties	49,568,517	49,568,517	49,568,517	-	-
Lease liabilities	33,627,625,966	56,243,129,918	2,938,213,635	12,382,710,012	40,922,206,271
Long-term loans including current portion**	11,875,122,322	16,087,278,333	505,650,000	2,022,600,000	13,559,028,333
Other current liabilities***	226,965,736	226,965,736	226,965,736	-	-

*excluding statutory payables to the government

**contractual cash flows include future interest payment

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

Interest Rate Risk

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

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

	2021	2020	2019
Financial assets:			
Cash in banks	P8,298,899,619	P10,281,958,993	P5,280,614,006
Money market placements	32,445,645,484	21,667,279,176	10,429,010,739
Government securities	-	2,383,862,048	-
	P40,744,545,103	P34,333,100,217	P15,709,624,745

Sensitivity Analysis

A 2.0% increase in interest rates would have increased equity and net income by P61.0 million, P46.6 million and P21.4 million in 2021, 2020 and 2019, respectively. A 2.0% decrease in interest rates would have had the equal but opposite effect. Assuming a 10.0% interest rate and on the basis that all other variables remain constant.

Other Market Price Risk

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

Capital Management

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

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

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

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

The Group is not subject to externally imposed requirements.

Fair Values of Financial Assets and Liabilities

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

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

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

Financial Assets at FVTPL

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

Security Deposits

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

Long-term Loans and Lease Liabilities

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

Fair Value Hierarchy

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

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

As at December 31, 2021 and 2020, the Group's investment in financial assets at FVTPL for equity securities and government securities are classified as Level 1 and 2, respectively.

ANNEX "C"

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

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Various banks/Cash and cash equivalents	N/A	P40,744,545,103	P40,744,545,103	P383,626,730*
Various customers and suppliers/Receivables - net	N/A	2,178,899,221	2,178,899,221	-
Various lessors/Security deposit	N/A	2,131,956,985	2,131,956,985	-
Bureau of Treasury (BTR)/Government securities	6,290,000,000	-	-	15,574,212*
Various publicly-listed companies/Equity securities	1,002,192	30,725,784	30,725,784	3,212,598**
		P45,086,127,093	P45,086,127,093	P402,413,540

Notes:

*This represents interest income earned, net of final tax.

** 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	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Mr. Lucio L. Co - Chairman	P34,669,530	P125,973	(P34,669,530)	P -	P125,973	P -	P125,973
Various employees	12,757,783	6,544,568	(8,169,934)	-	11,132,417	-	11,132,417
	P47,427,313	P6,670,541	(P42,839,464)	P -	P11,258,390	P -	P11,258,390

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	Amounts written off	Current	Not Current	Balance at end of period
Kareila Management Corporation	P475,000,000	P671,838,000	(P475,000,000)	P -	P671,838,000	P -	P671,838,000
Puregold Price Club, Inc.	11,326,461	47,758,068	(11,326,461)	-	47,758,068	-	47,758,068
	P486,326,461	P719,596,068	(P486,326,461)	P -	P719,596,068	P -	P719,596,068

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE D. LONG TERM DEBT

Title of Issue and type of obligation	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	China Banking Corporation	P3,413,593,750	P35,000,000	P3,378,593,750	4.5%	N/A	October 10, 2030
	Development Bank of the Philippines	2,949,053,571	30,000,000	2,919,053,571	4.0%	N/A	October 10, 2027
	Keb Hana Bank	491,919,643	5,000,000	486,919,643	4.0%	N/A	October 10, 2027
	Land Bank of the Philippines	1,474,096,154	15,000,000	1,459,096,154	4.0%	N/A	October 10, 2027
	Land Bank of the Philippines	1,474,526,786	15,000,000	1,459,526,786	4.5%	N/A	October 10, 2030
	Metropolitan Bank & Trust Co.	983,428,571	10,000,000	973,428,571	4.0%	N/A	October 10, 2027
	Shinhan Bank	491,919,643	5,000,000	486,919,643	4.0%	N/A	October 10, 2027
	The Insular Life Assurance Company, Ltd.	491,919,643	5,000,000	486,919,643	4.0%	N/A	October 10, 2027
Totals		P11,770,457,761	P120,000,000	P11,650,457,761			

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

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

Name of Related Parties	Balance at beginning of period	Balance at end of period
-------------------------	--------------------------------	--------------------------

NOT APPLICABLE

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

SCHEDULE F. 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
--	---	---	---	---------------------

NOT APPLICABLE

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE G. 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	Directors, officers and employees	Others
Common Shares	3,000,000,000	2,868,536,406	(35,677,680)	1,425,418,397	443,514,455	-

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2021**

PUREGOLD PRICE CLUB, INC.
900 Romualdez Street, Paco, Manila

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

Unappropriated Retained Earnings, as adjusted, beginning	P24,658,791,010
Net Income based on the face of audited financial statements	4,093,824,719
Less: Non-actual/unrealized income net of tax	
Equity in net income of associates	P -
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	-
Deferred tax benefit	-
Fair value adjustments (M2M gains)	-
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	-
Add: Non-actual losses	
Unrealized loss on fair value adjustment of investment through P/L	-
Deferred tax expense	82,860,097
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Sub-total	82,860,097
Net income actually earned during the period	4,176,684,816
Add (Less):	
Dividends declared during the year	(1,441,543,808)
Adjustment in previous year's reconciliation*	303,378,728
Movement in treasury shares	(41,339,729)
Unappropriated Retained Earnings, as adjusted, ending	P27,655,971,017

* This pertains mostly to the adjustments on the initial adoption of PFRS 16 applied retrospectively.



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**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 December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 included in this Form 17-A, and have issued our report thereon dated April 21, 2022.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

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

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code 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.

A handwritten signature in black ink, appearing to be 'D. Dioso', written over a light blue grid background.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

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 8854063

Issued January 3, 2022 at Makati City

April 21, 2022

Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 21, 2022.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculations, and their appropriateness or usefulness to the intended users, are 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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 December 31, 2020 and 2019 and for each of three years in the period ended December 31, 2020 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to be 'D. Dioso', written over a horizontal line.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

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 8854063

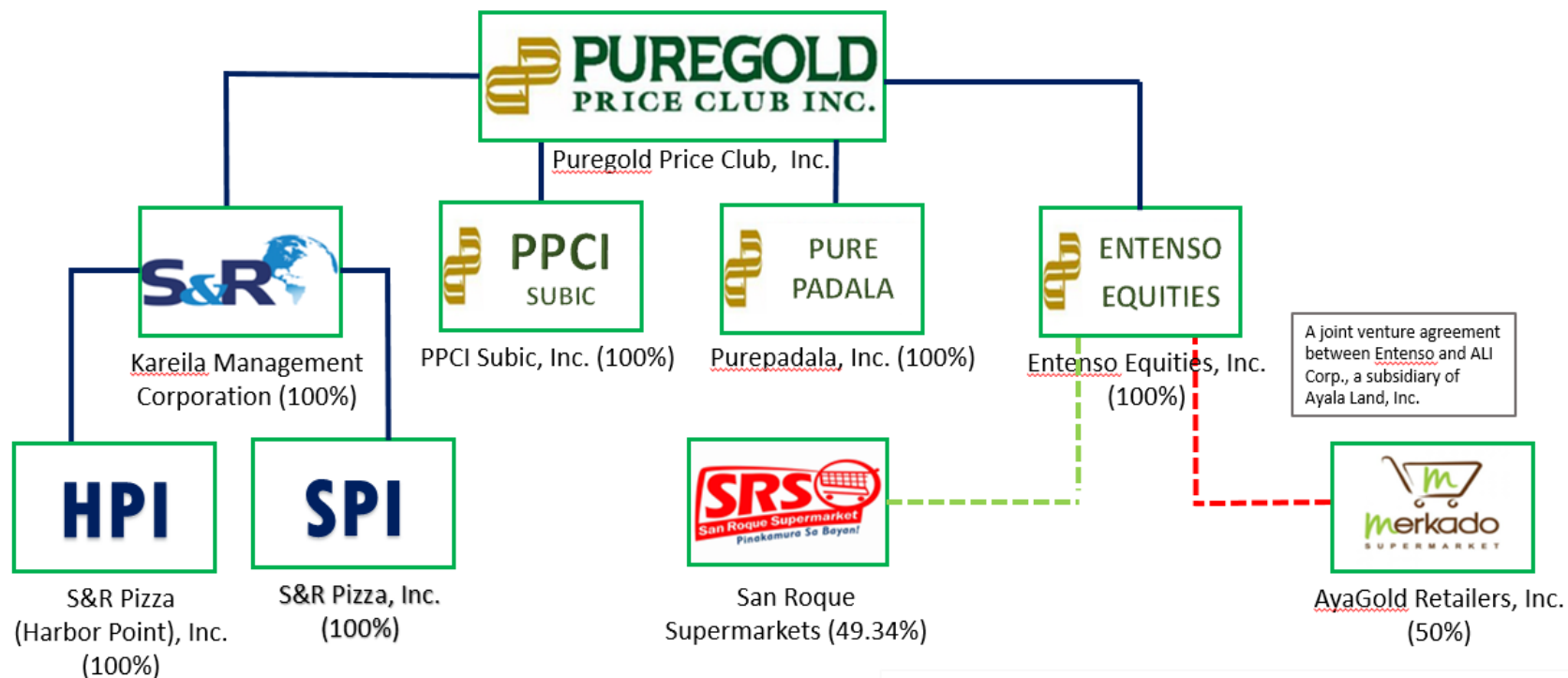
Issued January 3, 2022 at Makati City

April 21, 2022

Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Map of Group of Companies Within which the Company Belongs
As at December 31, 2021



Legend:

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

Notes:

Purepadala, Inc. – Recently incorporate in October 2018

NE Budget Land 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 in 2018

ANNEX "D"

Excerpt from the 2021
Consolidated Audited Financial
Statements of Puregold Price Club, Inc.

9. Investment in Associate and Joint Venture

The details of this account are as follows:

	2021	2020
Associate	P461,152,697	P461,152,697
Joint venture	175,395,733	175,395,733
	P636,548,430	P636,548,430

Investment in Associate

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

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

	2021	2020
Balance at beginning of the year	P461,152,697	P447,585,544
Share in net income	-	9,520,123
Other adjustments	-	4,047,030
Balance at end of year	P461,152,697	P461,152,697

**See footnote below.*

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.

	2021*	2020
Percentage of ownership	49.34%	49.34%
Current assets	P824,252,714	P4,892,031,522
Noncurrent assets	773,700,796	811,536,266
Current liabilities	(643,647,604)	(871,930,420)
Noncurrent liabilities	(615,854,604)	(4,456,496,386)
Net assets	338,451,302	375,140,982
Group's share in net assets	166,991,872	185,094,561
Goodwill	276,058,136	276,058,136
Unrecognized share in net loss	5,307,278	-
Others*	12,795,411	-
Carrying amount of interest in associate	P461,152,697	P461,152,697
Net sales	P4,655,176,247	P5,854,701,965
Net income (loss)	(10,756,543)	19,294,939
Group's share in net income (loss)	(P5,307,278)**	P9,520,123

**Unrecognized prior period adjustments based on unaudited amounts*

***Unrecognized share in loss based on unaudited amounts*

Investment in Joint Venture

AyaGold Retailers, Inc.

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

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

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

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

	2021	2020
Balance at beginning of year	P175,395,733	P175,395,733
Share in net income*	-	-
Balance at end of year	P175,395,733	P175,395,733

*See footnote below.

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:

	2021	2020
Percentage of ownership	50%	50%
Current assets	P253,419,885	P295,591,774
Noncurrent assets	458,231,584	455,987,422
Total liabilities	(512,283,388)	(398,688,147)
Net assets	199,368,081	352,891,049
Group's share in net assets	99,684,041	176,445,524
Unrecognized share in net loss (gain)	9,871,558	(1,049,791)
Others*	65,840,134	-
Carrying amount of interest in joint venture	P175,395,733	P175,395,733
Net sales	P537,759,229	P697,594,488
Net income (loss)	(19,743,115)	2,099,583
Group's share in income (loss)**	(P9,871,558)	P1,049,791

*Unrecognized prior period adjustments based on unaudited amounts

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

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	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	2021		P705,433,594	P -	P -	P -	P705,433,594	P -	Due and demandable	Unsecured
	2020		634,890,235	-	-	-	634,890,235	-		
Interest expense	2021	d	-	-	-	-	-	-		
	2020		1,603,845	-	-	-	-	-		
Entities under Common Control										
Leases	2021	a	1,258,258,892	-	997,211	-	5,727,874,802	-	Due and demandable	Unsecured; no impairment
	2020		1,106,708,930	-	808,983	-	4,150,693,309	-	demandable	Unsecured
Concession expense	2021	b	245,531,276	-	-	-	-	-	Due and demandable	
	2020		382,544,009	-	-	-	-	-	demandable	
Short-term investments	2021	4	-	-	-	-	-	-	Original maturity of less than 3 months	
	2020		3,320,402,583	-	-	-	-	-		
Purchase of merchandise	2021		3,310,393,196	-	-	843,725,582	-	-	Due and demandable	Unsecured
	2020		2,013,231,892	-	-	668,693,569	-	-	demandable	
Sale of merchandise	2021		93,015,565	93,323,089	-	-	-	-	Due and demandable	Unsecured; no impairment
	2020		89,058,730	62,058,898	-	-	-	-	demandable	Unsecured; no impairment
Security deposits	2021	a	9,219,373	-	29,786	-	201,275	-	Due and demandable	Unsecured; no impairment
	2020		76,000,192	-	20,358	-	2,784,888	-	demandable	Unsecured; no impairment
Advances	2021		-	-	116,000,000	-	-	-	Due and demandable	Unsecured; no impairment
	2020		-	-	116,000,000	-	-	-	demandable	Unsecured
Management fee	2021		10,754,262	-	-	-	1,815,380	-	Due and demandable	
	2020		8,329,308	-	-	-	5,705,121	-	demandable	
Fixed asset	2021		438,965	-	123,043,049	-	34,588	-	Due and demandable	Unsecured
	2020		11,789	-	123,617,038	-	-	-	demandable	
Loans	2021	d	4,522,871	-	-	-	4,522,871	-	Due and demandable	
	2020		1,570,353	-	-	-	-	-	demandable	
Expense reimbursement	2021		228,675,392	-	8,634,799	-	12,107,587	-	Due and demandable	Unsecured
	2020		220,555,229	-	7,684,888	-	-	-	demandable	
Stockholder										
Royalty expense	2021	c	57,335,542	-	-	-	-	45,868,433	30 years and subject to renewal	Unsecured
	2020		61,960,646	-	-	-	-	49,568,517		
Leases	2021	a	25,381,446	-	-	-	2,192,417	-		
	2020		24,621,714	-	-	-	-	-		
Key Management Personnel										
Short-term benefits	2021		39,630,329	-	-	-	-	-		
	2020		38,651,781	-	-	-	-	-		
Total	2021			P93,323,089	P248,704,845	P843,725,582	P6,454,182,514	P45,868,433		
Total	2020			P62,058,898	P248,131,267	P668,693,569	P4,794,073,553	P49,568,517		

a. Leases - Group as a Lessee

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

b. Consignment and Concession

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

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

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the 4 stores.
- The Consignor shall give the Consignee a trade or volume discount of its gross sales.
- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.
- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.
- In exchange, the consignor gives the consignee a trade or volume discount in the amount equivalent to 5.0% of the consignee's gross sales which was increased to 15.0% on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of 10.0% of the Consignee's gross sales.

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

- The Consignor shall pay the Consignee 4.0% monthly consignment/concession fee based on the Consignor's monthly gross sales.
- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

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

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

c. License Agreement

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

d. Loans

Cosco

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

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

Puregold Finance

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

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

Significant Related Party Transactions and Balances Eliminated During Consolidation

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

	2021	2020
Sales	P47,758,068	P11,326,461
Trade receivable	47,758,068	11,326,461

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

	2021	2020
Cost of sales	P192,404	P112,195
Trade payable	192,404	112,195

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

	Amount of Transaction	2021	2020
Dividend receivable	P671,838,000	P671,838,000	P475,000,000

24. Retirement Benefits Liability

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

Salient Provisions of the Retirement Plan

Normal Retirement (Minimum Retirement Law, RA 7641)

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

The reconciliation of the liability recognized in the consolidated statements of financial position as at December 31 is as follows:

	2021	2020
Present value of defined benefit obligation	P1,325,171,983	P1,413,074,310
Fair value of plan assets	(29,873,021)	(30,017,612)
Retirement benefits liability	P1,295,298,962	P1,383,056,698

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

	2021	2020
Balance at January 1	P1,413,074,310	P947,535,634
Included in Profit or Loss		
Current service cost	233,246,502	177,499,305
Interest cost	54,511,399	49,461,361
	287,757,901	226,960,666
Benefits paid/Transfer to affiliated Company	(5,977,948)	(8,638,936)
Included in Other Comprehensive Income		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	(331,499,339)	319,027,413
Demographic assumptions	(45,071,487)	(71,810,467)
Experience adjustments	6,888,546	-
	(369,682,280)	247,216,946
Balance at December 31	P1,325,171,983	P1,413,074,310

ANNEX "E"



cosco capital
i n c o r p o r a t e d

Sustainability Report

2021

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CONTEXTUAL INFORMATION

Name of Organization:

Cosco Capital, Inc.

Location of Headquarters:

No. 900 Romualdez St., Paco Manila 1007

Location of Operations:

Nationwide – Philippines

Report Boundary:

Legal entities
(e.g. subsidiaries)
included in this report



Including all its subsidiaries namely;



Retail

Puregold Price Club, Inc. (and its subsidiaries): Kareila Management Corporation (S&R Warehouses, S&R Pizza, Inc., Entenso Equities, Inc.)



Liquor Distribution

The Keepers Holdings Inc. (and its subsidiaries): Montosco, Inc., Meritus Prime Distribution, Inc., Premier Wine and Spirits, Inc.

Real Estate and Property Leasing

Nation Realty, Inc., Patagonia Holdings Corp., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Pure Petroleum Corp., NE Pacific Shopping Centers Corporation (NPSCC)



Specialty Retail

Office Warehouse, Inc.

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 other specialty business.

Reporting Period:

2021

Highest Ranking Person responsible for this report:

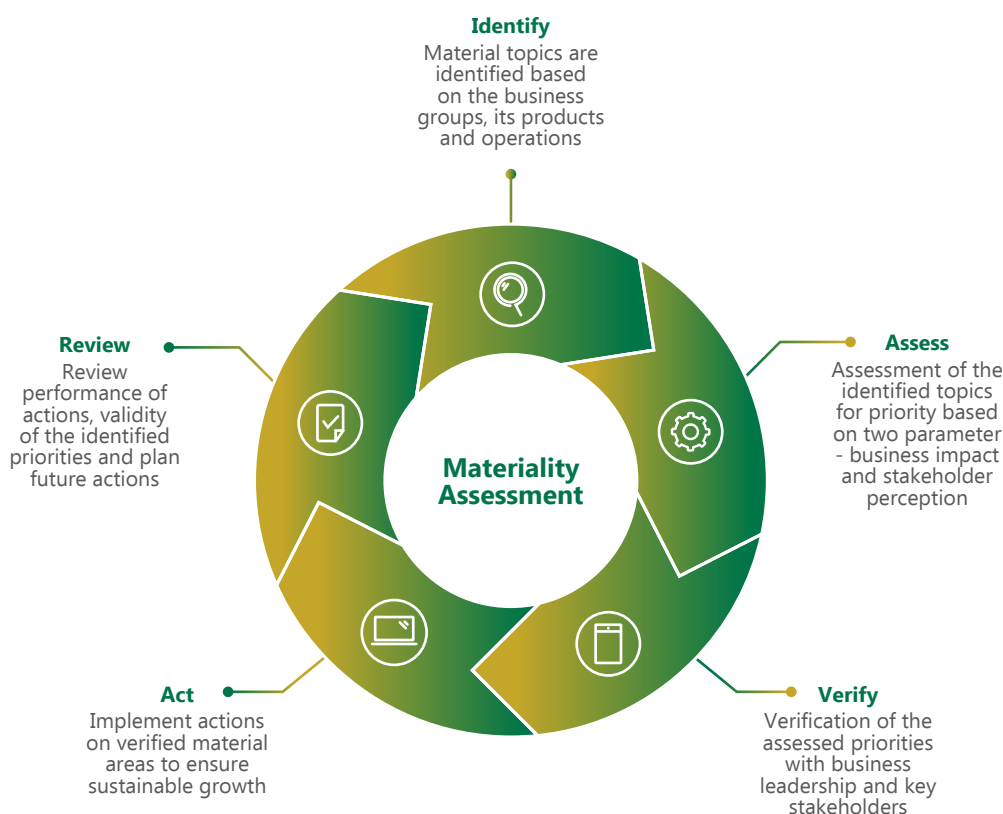
John T. Hao
Investor Relations and Sustainability Officer

MATERIALITY PROCESS

The process of sustainability reporting is fairly new to Cosco Capital and has been initiated after the mandate from the Securities and Exchange Commission (SEC) of the Philippines, since 2019. The onset of the pandemic immediately after this mandate required Cosco Capital to invest energy in other aspects of the business over the last 2 years to ensure business performance and commitment to its stakeholder community. With the economy and business landscape getting to a new sense of normal, the company is actively pursuing its sustainability efforts by establishing a foundation.

In the above context, the company's approach to materiality during 2021 was not well documented. However, the longevity of the business and its consistently strong performance over several decades indicates that the business and its leaders are focusing on what is material to its economic sustainability performance. While 2022 will see a well-articulated approach backed by well documented evidence of implementation, this 2021 report outlines the general process followed when it comes to understanding what is material to the business and its sustainability performance – covering economic, environmental, social and governance aspects.

The materiality assessment process is built on the strong knowledge of the landscape the business is operating in given its varied yet connected set of sectors that it focuses on. Tapping best practices from the GRI (Global Reporting Initiative) standards on materiality assessment, it has helped us understand business risks and opportunities, follow an iterative approach to ensure continuous improvement and keep tabs with the evolving market landscape.



This report is a consolidation of all available data and information on specific relevant and material sustainability topics related to environment, social, and governance (ESG) aspects. The Securities and Exchange Commissions (SEC) Memorandum Circular 2020-04 was also utilized as a guidebook for writing the sustainability report.

Our 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 Contribution



Economic Contribution



Direct Economic Value Generated and Distributed			
Disclosures	Units	2020	2021
Direct Economic Value Generated (Revenue)	PHP	180,474,149,423.00	177,632,322,217.00
Direct Economic Value Distributed:			
a. Operating Costs	PHP	20,147,712,147.00	21,587,628,337.00
b. Employee Wages and Benefits	PHP	2,804,785,115.34	3,038,541,960.86
c. Payments to Suppliers/Other Operating Costs	PHP	145,021,699,420.00	140,822,162,365.00
d. Dividends given to Stockholders and Interest Payments to Loan Providers	PHP	1,480,137,972.19	2,373,252,876.00
e. Taxes given to Government	PHP	5,291,596,005.31	4,253,790,185.79
f. Investments to Community	PHP	25,125,192.00	10,670,000.00

Based on the economic performance data of Cosco Capital in the years 2020 and 2021, there has been:

- An increase in operating costs, employee wages and benefits in 2021 as a result of business expansion and resulting increase in operating hours;
- Significant increase in dividends and interest payments in 2021 compared to 2020, because of increase in interests paid by the grocery retail segment and declared increase in dividends.
- Reduced taxes paid to the government as a result of reduction of income taxes by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act in May, 2021.
- A significant drop in the Corporate Social Responsibility spend in 2021; however, the reality is 2020 presented a significant spike since the business was responding to the pandemic and serving the community to cope with it.

Impacts and Management Approach

Contribution to local economic growth

Through the continuous growth and expansion of the business in key strategic geographic locations nationwide, Cosco Capital directly contributed to the growth of the fast-moving consumer goods (FMCG) and the real estate sectors in the Philippines. This led to a boost in the gross domestic product of the local economy.

Local livelihood enhancement

The expansion of Cosco Capital's business meant creation of new jobs, livelihood opportunities for small and medium enterprises through its reseller TNAP and Kaindustriya programs and positive impact on local producers and suppliers through increase in materials and local produce purchased.

Building community welfare

Cosco Capital contributed to local community development in various ways. One of the most successful CSR activities of the year was the scholarship program to both the 22 children of the Cosco Group employees and another 359 external deserving students. For 2021, there was a total of 381 educational scholarships by the corporate social responsibility arm of Cosco Capital, Inc., the Luis Co Chi Kiat Foundation, Inc. (LCCKFI).

Management Approach:

While the top management is focused on driving the group towards market expansion and innovation by encouraging the establishment of new supermarkets and warehouse clubs nationwide, the finance teams in each of the businesses closely monitor the financial performance and ensure compliance to reporting and auditing according to local laws and regulations. CSR activities are closely managed by Luis Co Chi Kiat Foundation, the corporate social responsibility arm of the Cosco Capital Group.

Risks and Management Approach

Market risks (competition, supply, credit, pricing)

Given the diverse nature of the business, uncertainties in global markets due to the pandemic, and changing consumer behaviors, Cosco Capital is highly vulnerable to market risks. These have the potential to directly impact the survival of the business. However, since a significant proportion of the group's business deals in essentials, we believe that this is a moderate risk – but Cosco Capital still takes all precautionary measures required to abate its effects, as highlighted in the management approach.

Regulatory and Compliance Risk

Since the Cosco group's business has diversified branches of activities and multiple stakeholders involved, breaches in regulatory and compliance related matters are considered serious risks to the functioning of the business, since this will impact government and community trust on the business.

Natural Disasters

Being in a disaster-prone country like the Philippines, the business – along with the rest of the country – is vulnerable to natural disasters and extreme events; specifically, typhoons and tsunamis. The major risk stemming from these disasters is the adverse impact it causes on human life, infrastructure, and also economic activity.

Management Approach:

Cosco Capital believes that continuous innovation and expansion into the different regional markets in the Philippines is an effective way deal with market risks – larger the footprint, the larger the economies of scale – this helps cushioning the negative impacts. The group therefore endeavors to strengthen the Tindahan ni Aling Puring (TNAP) and Kaindustriya reseller programs, as well as the Perks program for direct customers. In order to protect the supply chain against shocks, the group maintains strong relationships with suppliers by building their capacity on sustainable production as well as an efficient supply chain in order to minimize the cost of logistics.

To address regulatory and compliance risk, the group has watertight policies in place for all businesses, including Whistle-Blowing Policies, Insider Trading Policies, and Conflict of Interest Policies. To view these policies for the Puregold business, [click here](#). The compliance team also monitors all regulatory requirements and ensures adherence to these.

The group has business-level Disaster Preparedness Manuals in place to use during emergencies. The Puregold Manual, for instance, contains natural disasters and fire contingency plans, and a four-phase plan to respond to earthquakes, typhoons, floods, volcanic eruptions, and droughts, including evacuation plans, emergency hotlines, and the presence of ERT-recommended medical equipment. In addition to the response plan, the manual also specifies preventive action including water conservation strategy for droughts and energy efficiency to conserve electricity for availability during blackouts.

Opportunities and Management Approach

Expanding into online platforms

After the pandemic, the group believes that conducting business through technology platforms could be greatly beneficial – putting in place an app for online grocery shopping, is one of the planned activities.

Enabling farmers through direct buying

Working with farmers directly has multiple benefits – accessing and selling fresh produce to improve competitiveness and customer satisfaction, enhancing their earning potential, improving their livelihood and reducing 'costs in transit'. In the future, the group plans to establish a direct connection with farmers to source materials and bring it to market.

Management Approach:

Cosco Capital intends to invest adequate amount of resources into reliable technology, human capital and training for employees to maintain and continuously enhance its existing ventures into online applications and platforms to improve its services to and engagement with its customers. To enable direct selling by farmers, the group plans to conduct an assessment of farmers in areas surrounding the group stores, materials available, and quality of produce – in order to explore the potential of partnerships with them.

Climate-Related Risks and Opportunities



Plastic Packaging

The use of plastic bags to package customer items is considered a threat to the environment because they take a very long time to degrade and can contaminate the soil and the waterways. To help cushion the risks of plastic bags, Cosco Capital group has worked towards significant reduction of its usage. Some of the company stores are using recyclable cartons for packaging in compliance with the regulations of local government units having jurisdiction of the area – but the group plans to expand this initiative to the rest of its stores in due time and sees this as a great opportunity to not only reduce the impact of the business on the environment, but also to indirectly spread awareness among customers about the importance of using recyclable packaging. For instance, the S&R business has stopped purchasing plastic since second half 2021, and the food service is looking towards using more reusable plates / utensils instead of disposable or plastic alternatives. In 2021, both Puregold and S&R has reduced around 100 million plastic bags used in its operations.



Food Waste

Food wastes and other solid wastes are generated from the food and fresh section where the group processes meat, fish, and other poultry products. The scraps coming from preparation of these fresh food products go to containers of third-party accredited solid waste haulers to the landfill. However, an opportunity that the Cosco Capital Group sees in the future is the potential to treat such waste by sending it to authorized sludge plants or biological filters – which means that this waste will be reused as compost, or for other applications (such as biogas).



Energy Consumption

The energy consumption of Cosco Capital group stores and the fleet of vehicles used to transfer merchandise, including the vehicles used by third-party logistics and suppliers, require a lot of energy consumption, and consequently, emissions. The group uses gas and diesel to run its vehicles. On renewable energy, S&R business currently has solar installations in 12 of its stores. Puregold business has already awarded contracts for two rooftop solar projects of 700-800 kWh capacity, and plans to add 5-10 more rooftop solar projects across its stores each succeeding year. While S&R plans to expand its rooftop solar projects to all 22 S&R warehouse clubs by 2023. The group plans to continue to maximize the potential of solar energy use in the future. A lot of energy efficiency projects (detailed in the “environmental performance” section) have also been implemented.

In a nutshell, Cosco Capital recognizes the fact that the environmental impact created by the group has a ripple effect on the community as a whole, and that being mindful of the group's contribution to climate change is necessary to co-exist sustainably in the society. Therefore, the group is looking towards mitigation and adaptation strategies towards addressing these climate risks. In the next 24 months, the group will come up with an initial “Climate Change Response Program” to lay down the group's initiatives, strategies, and targets in response to the global call for all corporate citizens to act towards keeping global warming well below 2 degrees Celsius. The recently concluded UN Environmental Assembly (UNEA 5.2) reached a landmark milestone of more than 175 countries agreeing to sign a global instrument for plastic monitoring and reduction. The importance of private sector contribution has been highlighted significantly. Given the nature of Cosco Capital's operations, the company will actively find ways to contribute and comply with such global standards.

The group believes this is a long term journey and commits to regularly revisit its goals, commitments and actions within its chosen priority areas to remain relevant and contribute to the larger sustainability agenda.

Anti-corruption



Training on Anti – Corruption Policies and Procedures			
Disclosures	Units	2020	2021
Percentage of Employees to whom the Organization's Anti – Corruption Policies and Procedures have been Communicated To	%	100	100
Percentage of Business Partners to whom the Organization's Anti – Corruption Policies and Procedures have been Communicated To	%	100	100
Percentage of Directors and Management that have Received Anti – Corruption Training	%	100	100
Percentage of Employees that have Received Anti – Corruption Training	%	70	70

Incidents of Corruption			
Disclosures	Units	2020	2021
Number of Incidents in which Directors were Removed or Disciplined for Corruption	#	0	0
Number of Incidents in which Employees were Dismissed or Disciplined for Corruption	#	29	0
Number of Incidents when Contracts with Business Partners were Terminated due to Incidents of Corruption	#	0	0

The table above represents data on training on anti-corruption policies and procedures, and incidents of corruption in the Cosco Capital Group over the past couple of years. 100% of all employees and partners are aware of the Group's anti-corruption policies and procedures. Moreover, all members of the Board of Directors as well as Senior Management of the group undergo an annual Good Corporate Governance Seminar conducted by SEC-accredited training institutions which include a refresher on anti-corruption policies and procedures. As compared to 2020, when 29 incidents of employees being dismissed / disciplined for corruption took place, there were no such incidents in 2021.

Impacts and Management Approach

Improved goodwill, Risk: Tarnishing of reputation

The Cosco Capital Group has a strict stand against corruption or any breaches of regulatory compliance by the group or the stakeholders associated with it. By monitoring this closely, the group ensures increased stakeholder trust in the business and improved goodwill and reputation over a period of time, in addition to helping establish a good relationship with local governments. Additionally, the group's anti-corruption stand also sends out a clear message to society that adherence to the law of the land is an utmost priority for everyone.

Management Approach:

The group has strict protocols in place to ensure adherence to the anti-corruption stand – which are defined by the code of conduct. The employee code of conduct, for instance, specifies protocols for conduct against persons, conduct in the performance of duty, conduct of general inefficiency / negligence, infractions on attendance, company property, conduct harmful to health and sanitation, fraudulent conduct, conduct against public moral, and habitual delinquency.

Opportunities and Management Approach

Readiness for newer, ESG-focused compliance requirements

As Cosco Capital gears itself up for adopting and institutionalizing an ESG-oriented culture, the group expects continuing updates and/or issuances on new compliance requirements to come in year-on-year. The group looks forward to prepare itself to meet these new requirements and the fresh host of anti-corruption policies that will follow.

Management Approach:

The group plans to conduct detailed research of future ESG goals that the businesses seek to fulfill, and thereafter, create a comprehensive framework of the compliance requirements that follow – in order to be prepared for it in advance.

Procurement Practices



Proportion of Spending on Local Suppliers			
Disclosures	Units	2020	2021
Percentage of Procurement Budget Used for Significant Locations of Operations that is Spent on Local Suppliers*	%	92	93

As per the data above, the percentage of procurement budget used on local suppliers was 93% in 2021, which indicates the group's commitment to sourcing most of the materials locally except for some international brands that are stocked at the stores particularly for the S&R Warehouse Club outlets.

Impacts and Management Approach

Minimization of carbon footprint

By ensuring significant local procurement, the group ensures minimal carbon footprint in its supply chain compared to international sourcing. Additionally, this also provides a boost to the local economy.

Management Approach:

The group has a standard operating procedure in place to ensure screening, selection and maintenance of relationship with vendors. This includes collecting information on their policies and products and ensuring alignment with the needs of Cosco Capital.

Risks and Management Approach

Supplier non-compliance to / capacity building on ESG considerations

Cosco Capital seeks to integrate ESG incrementally into the group's activities completely in the long run. However, a potential risk associated with this is non-compliance of suppliers to ESG considerations that matter to the group. But the group also sees this as a potential opportunity to build local capacity and be a positive influence on the community.

Management Approach:

Along with the plan to integrate sustainability into the Group, Cosco Capital also seeks to prepare a capacity building plan for suppliers, in order to build their capacity on ESG matters and adherence to them.



Environment Performance

Resource Management



Energy Consumption within the Organization			
Disclosures	Units	2020	2021
Renewable Resources	GJ	13,025.59	28,448.60
Gasoline	GJ	4,794.28	9,205.51
LPG	GJ	191,240.39	69,355.01
Diesel	GJ	3,759.29	5,794.32
Electricity	kWh	331,177,376.16	449,654,452.50

The table above shows the energy consumption within the organization for the years 2020 and 2021.

- The year on year increase in diesel and gasoline consumption is largely a reflection of incomplete data collection in 2020. The group expects to address these challenges moving forward given the complete data set available for the current reporting period (2021)
- Energy consumption from renewable resources has increased in 2021 compared to 2020 because of the installation of rooftop solar units in more stores in the year 2021.

Impacts and Management Approach

Energy and Cost Efficiency

Energy consumption at the Cosco Capital group mainly stems from the use of electricity in the stores, gasoline and diesel for vehicles, and LPG used by tenants. By managing energy consumption in a responsible manner, the group can ensure minimal pressure on natural resources in surrounding communities and also achieve cost efficiency in the long run.

Management Approach:

The Operations team across businesses manages energy consumption and data monitoring at Cosco Capital. In the group's endeavor to switch to clean energy alternatives, rooftop solar units have been installed in 12 S&R warehouse clubs, and 12,682,357 KWH of electricity was produced from them as of November 2021. Additionally, all Puregold stores and S&R Warehouse clubs have adopted 100% LED lighting in 2021. Puregold targets a 5-10% energy reduction based on a 3-year rolling average, from gasoline, diesel, and LPG use in operations, as well as from its upcoming solar installations. Building ID lighting in Puregold stores was also shifted to LED starting 5 years ago.

Risks and Management Approach

Poor monitoring of energy consumption

Given the multiple business locations and the community lockdowns in the past couple of years, the collection and monitoring of energy data on a continuous basis had been affected. This affected our ability to monitor energy consumption data properly, and thereafter, to implement initiatives towards improving energy efficiency.

Management Approach:

An energy efficiency policy is being formulated and developed by the energy efficiency engineers at Puregold Price Club, with responsibilities that include preparing communication records, monitoring reports, audit reports, and documentation on energy reduction initiatives. Through this policy, the group seeks to monitor baseline energy use of each store. Additionally, an Energy efficiency and conservation plan will be drafted based on the requirements of the Department of Energy (DOE) Republic Act No. 11285 – the Energy Efficiency & Conservation Act.

Opportunities and Management Approach

Increase in renewable energy use

In the forthcoming years, the footprint of rooftop solar energy use is planned to be expanded much more, with installations in 5 stores for the S&R group being planned in 2022. This is planned to be extended to all stores in the next few years, and presents a great opportunity for the group to be a significant contributor of renewable energy use in the Philippines – this could create a positive influence on visitors to the stores and tenants.

Management Approach:

Policies and procedures for renewable energy use are being developed for all businesses. For instance, Puregold Price Club is developing such policies to establish targets to offset energy generation and assess current performance of stores using renewable energy.

ENVIRONMENT PERFORMANCE

Water Consumption within the Organization			
Disclosures	Units	2020	2021
Water Consumption	m ³	1,622,648.49	1,146,713.94
Water Recycled and Reused	m ³	720	25,411.75

The above table showcases water consumption in the years 2020 and 2021. Water consumption reduced marginally in 2021 as compared to 2020, because of the COVID-19 induced lockdowns. The difference in the figures for “water recycled and reused” is largely a reflection of incomplete data collection in 2020. The group expects to address these challenges moving forward given the complete data set available for the current reporting period (2021)

Impacts and Management Approach

Water savings

Water consumption is mainly for cleaning, toilet use, and drinking – across all the businesses. By implementing water saving initiatives across the group, Cosco Capital ensures that water availability in surrounding communities is not impacted adversely. Water efficiency also improves within the organization, making the employees more conscious about saving water.

Management Approach:

Rainwater catchment and grey water initiatives have been implemented in the Puregold business to reduce overall potable water demand, and rainwater harvesting has been introduced in two S&R stores as well. Seven stores in the Puregold group and one store under construction has provision for grey water.

Risks and Management Approach

Inefficient water management

Water conservation as a practice requires constant monitoring and adoption of behavior change; however, this was interrupted frequently due to the slew of lockdowns that happened in the past couple of years. A risk that resulted from this – which is present even now – inconsistency in behavior that affects adoption of water conservation as a culture.

Management Approach:

Similar to energy conservation, baseline water consumption is estimated by identifying water consuming systems in the operation, and identifying existing processes that affect water consumption. This helps analyze water consumption and identify areas where interventions are required with spontaneity.

Risks and Management Approach

Expansion of water recycling programmes

With time, Cosco Capital plans to expand its water recycling initiatives to all its businesses in order to achieve 100% reuse of water within the operations. This is a potential opportunity to reduce pressure on water bodies in surrounding areas, and also to inculcate water conservation as a culture into the group's operations.

Management Approach:

A water efficiency plan is underway (for the Puregold group), wherein protocols for proper use of water systems, monitoring of water consumption, procurement of water efficient products and services, maintenance of water systems, and conducting of water audits are specified. It also includes processes for communicating target reduction and water efficiency initiatives and monitoring and recording of the implementation plan.

Environmental Impact Management



Air Emission and GHG			
Disclosures	Units	2020	2021
Direct (Scope 1) GHG Emissions	Tonnes CO ₂ e	11,785.34*	5,094.80
Energy indirect (Scope 2) GHG Emissions	Tonnes CO ₂ e	209,304.10*	284,181.61

*Restatement of 2020 data: Scope 1 –11,785.34 Tonnes CO₂e; Scope 2 –209,304.10 Tonnes CO₂e
Instead of previously reported: Scope 1 – 13,914.21 Tonnes CO₂e; Scope 2 – 102,382.52 Tonnes CO₂e
The restatement was made due to the recalculation of source magnitude or quantity provided from previous report

Air Pollutants			
Disclosures	Units	2020	2021
NOX	kg	1.660000	0.000033
SOX	kg	N/A	N/A
Persistent Organic Pollutants (POPs)	kg	N/A	N/A
Volatile Organic Compounds (VOCs)	kg	N/A	N/A
Hazardous Air Pollutants (HAPs)	kg	N/A	N/A
Particulate Matter (PM)	kg	N/A	N/A

Impacts and Management Approach

Minimal pollution

Cosco Capital's emissions are mainly from its fleet of vehicles used for deliveries and energy consumption in stores and buildings. By reducing the release of hazardous / GHG emissions, the group can ensure minimal air pollution and health hazards for both people within the organization and in the communities surrounding group sites.

Management Approach:

All the businesses in the group implement initiatives to prevent GHG or hazardous emissions and mitigate them as far as possible. For instance, in Puregold stores, 60-80% of the chillers have been converted to the R400 series, which contain more environmentally-friendly hydrofluorocarbons.

Risks and Management Approach

Inefficient water management

Though Cosco Capital takes all measures to ensure minimal hazardous emissions, not monitoring emissions from obsolete / old equipment causes the risk of pollution.

Management Approach:

The Engineering and Maintenance team continuously monitors the efficiency of all equipment and emissions released by them; any issues are immediately identified and addressed by repairing / replacing the equipment in question.

Solid Waste			
Disclosures	Units	2020	2021
Total Solid Waste Generated	kg	3,807,924.33	5,565,462.09
Reusable	kg	16,562,812.78	1,203,000.00
Recyclable	kg	N/A	N/A
Composted	kg	576,421.99	900,000.00
Incinerated	kg	N/A	N/A
Residuals / Landfilled	kg	N/A	N/A

Hazardous Waste			
Disclosures	Units	2020	2021
Total Weight of Hazardous Waste Generated	kg	175,405.08	297,050.16
Total Weight of Hazardous Waste Transported	kg	12,756.38	220,674.56

Effluents			
Disclosures	Units	2020	2021
Total Volume of Water Discharges	m ³	1,290,322.90	1,022,588.25
Percent of Wastewater Recycled	%	2.8	3

The tables above show the amount of solid waste and hazardous waste generated in 2020 and 2021.

While there was a sizeable increase in solid waste generated, resulting from the easing of lockdowns towards the festive season of 2021, the reduction in reusable waste was a result of more waste being composted.

The amount of hazardous waste increased as a result of increased volumes of busted bulbs, used oils, and electronic wastes generated in 2021. However, the volume of water discharges decreased owing to wastewater recycling.

Impacts and Management Approach

Prevention of health hazards / pollution

Solid wastes generated by the Cosco Capital Group are quite diverse, and hazardous waste comprises BFL, used oils, batteries, and electronics. Responsible management of solid, hazardous, and liquid wastes by Cosco Capital ensures lesser impact of fumes and odor from this waste on the people handling it, as well as on surrounding communities. This also prevents resultant health hazards among people.

Management Approach:

All businesses have implemented several initiatives on waste reduction and recycling and wastewater recycling, to minimize negative environmental impact. Here are some examples:

1. S&R group has introduced a recycling program to reuse and resell carton boxes and plastics, to use recyclable containers for oils, to deploy reusable plates and cutlery in the food service program, and stopped the purchase of plastic since the second half of 2021. S&R also has 22 wastewater treatment facilities that are compliant with the Clean Water Act.
2. Puregold stores decreased plastic bag usage by 38% in 2021 comparing to the previous year, with 63% of stores using paper bags, and the remaining 37% using biodegradable plastic bags. Puregold Price Club also has 135 wastewater treatment facilities that are compliant with the Clean Water Act.

Risks and Management Approach

Risk of improper management of solid / liquid wastes

Improper management of solid / liquid wastes could lead to adverse environmental and health impacts on the people within the Cosco Capital group as well as communities surrounding the business.

Management Approach:

A solid waste management plan is being developed by various businesses including Puregold Price Club Inc, setting a waste reduction target, reviewing existing policies and procedures on waste management and performing a waste audit covering sources of waste in project operations, types of waste generated, and amount of waste generated.

Opportunities and Management Approach

Risk of improper management of solid / liquid wastes

Expanding waste recycling initiatives across the group is a definite, profitable opportunity for the group, since it signals cost efficiency in the long run due to reduction in costs of transporting waste, as well as positive environmental impact.

Management Approach:

A group waste management strategy will be put in place, which lays out a work plan for achieving minimal waste generation / waste recycling at all business units.

Environmental Compliance



Non-compliance with Environmental Laws and Regulations			
Disclosures	Units	2020	2021
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	PHP	180,000	87,500*
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	#	1	1
No. of Cases Resolved through Dispute Resolution Mechanism	#	3	10

*Violations are from 2015, 2017 and 2019 cases

Impacts and Management Approach

Protect the Environment and Resources/ Compliance Obligations

Non-compliance with Environmental Laws and Regulations has an important impact to the protection of environment and its resources that may affect the stakeholders. Violation of environmental laws is just a consequence of damage already committed against the environment. Inability to address this will pose a risk to environment and company's reputation.

Management Approach:

The group consistently keeps on identifying the cause of the violation and resolve it with immediate and permanent compliance. The group aims to enhance further its policies and practices to ensure protection of its environment and resources.

Risks and Management Approach

Risk of improper management of solid / liquid wastes

To promote awareness, Cosco will continue the dissemination of information to all its employees, contractors, suppliers and other stakeholders on the importance of environmental laws and regulations, preventing future incidents of non-compliance and violations

Social Responsibility



Employee Management



Employee Hiring and Benefits, Employee Data			
Disclosures	Units	2020	2021
Total Number of Employees	#	11,331	11,647
a. Number of Female Employees	#	6,383	6,594
b. Number of Male Employees	#	4,948	5,053
Attrition Rate	% Rate	14.98	13
Ratio of Lowest Paid Employee Against Minimum Wage	Ratio	0	0

The table above shows the proportion of male and female employees in the organization. The group has a higher female workforce and follows a strict non-discrimination policy across its employee lifecycle. The group also observed a healthy drop in attrition rate during the year.

The table below shows the list of benefits availed by employees in the years 2020 and 2021 and there were no significant changes in these numbers in these two years.

List of Benefits	% of Female Employees Who Availed for the Year		% of Male Employees Who Availed for the Year	
	2020	2021	2020	2021
SSS	22.2	19	14.27	17
PhilHealth	2.12	1	0.65	0
PAG – IBIG	0	17	0	14
Parental Leaves	1.98	1	1.96	1
Vacation Leaves	93.80	78	90.17	82
Sick Leaves	93.80	77	89.83	80
Medical Benefits	55.12	57	27.25	37
Housing Assistance	0	0	0	0
Retirement Fund	0	0	0	0
Further Education Support	0.26	0	0.04	0
Telecommuting	0.02	0	0	0
Flexible – Working Hours	33.94	9	32.05	6

Impacts and Management Approach

Employee welfare

The attrition rates at Cosco Capital are directly impacted by the way they are treated at the workplace; and this impacts both their productivity and the group's relationship with them. Cosco Capital's employee benefit structures are designed to foster employee satisfaction and retention.

Gender Balance

Cosco Capital has a strict stand against discrimination by gender or any other grounds at the workplace. This helps maintain a healthy gender balance in the group's businesses.

Management Approach:

The Human Resource team is responsible for all matters related to employee satisfaction and development. The group HR policy governs and prescribes guidelines with regard to this. Under the mandate of the group HR policy, some of the key aspects covered include:

- Company Safety Policies
- Drug Free Workplace Policy
- Mental Health Policy
- Paternity Leave Policy
- Company Policy and Rule on HIV / AIDS / STD

Risks and Management Approach

Poor Employee Engagement

During the pandemic, establishing a moral and physical connect with all employees turned out to be very challenging. This led to the very plausible risk of poor employee engagement.

Management Approach:

During the past two years, the group put in all efforts to keep employee interaction ongoing, including online sessions to keep conversations active. All the employees in the group reached out to each other during times of crisis, and employee morale sustained throughout this challenging period.

Opportunities and Management Approach

Improving employee retention

Cosco Capital has a clear objective towards improving employee retention, and also to improve its rankings on popular forums on the parameter of being the "best place to work" / "best work culture".

Management Approach:

The group seeks to do this by strengthening the benefits program over and above legal / compliance requirements, and tailoring support towards employee needs and requirements.

Employee Training and Development			
Disclosures	Units	2020	2021
Total Training Hours Provided to Employees			
a. Female Employee	Hours	36,800	175,470
b. Male Employee	Hours	28,352	123,674
Average Training Hours Provided to Employees			
a. Female Employee	Hours/Employee	5.77*	27
b. Male Employee	Hours/Employee	5.73*	24

*Restatement of 2020 data: Ave. Training Hours a. Female Employees – 5.77 hrs/employee b. Male Employees – 5.73 hrs/employee
 Instead of previously reported: a. Female Employees – 112 hrs/employee b. Male Employees – 112 hrs/employee
 The restatement was made due to the recalculation of the data in 2020 based from GRI Standards.

The table above shows the total number of training hours provided to employees. These numbers increased significantly in 2021 as compared to 2020, as a result of training programs resuming after the pandemic as the company converted training materials for virtual trainings instead of in-store and physical trainings.

Risks and Management Approach

Improved employee productivity

By providing suitable training to employees, the group ensures that their knowledge and skills are continuously updated – leading to improved productivity of employees and better performance at work.

Management Approach:

Both specific, department wise training, and general trainings were provided to employees – depending on the types of roles they perform. E.g. disaster preparedness training is provided to all employees, whereas anti-theft / shoplifting training is provided to store employees. These help them apply learnings on the job as well as build their personal knowledge base.

Risks and Management Approach

Discontinuity of trainings due to pandemic

The continued lockdown periods created the potential risk of discontinuity in training programs, leading to the danger of employees not learning skills required to perform their jobs.

Management Approach:

As far as possible, training materials designs were converted for virtual trainings during the pandemic; and since store-based trainings continued even during the pandemic, this did not turn out to be a huge risk for the retail wing. In the future, there are plans to digitize all learning materials with audio-visual demos, in order to ensure their portability.

Opportunities and Management Approach

Personalized training programs

With time, the Cosco Capital group seeks to introduce personalized training programs for employees that help garner mutual benefits for both employees and the organization. The design of these programs would be to help employees with individual career progression and performance improvement.

Management Approach:

A needs assessment of the training requirements of various employees will be conducted followed by curation of a list of training programs (online) that employees can choose from. Thereafter, expert opinion on the content of each of these training programs will be obtained – and modules developed internally or sourced externally depending on feasibility.

SOCIAL RESPONSIBILITY

Labor – Management Relations			
Disclosures	Units	2020	2021
% of Employees Covered with Collective Bargaining Agreements	%	N/A	N/A
Number of Consultations Conducted with Employees Concerning Employee – Related Policies	#	2	0

Diversity and Equal Opportunity			
Disclosures	Units	2020	2021
% of Female Workers in the Workforce	%	56.33	57
% Male Workers in the Workforce	%	43.67	43
Number of Employees from Indigenous Communities and/ or Vulnerable Sector*	#	123	238

Impacts and Management Approach

Gender Balance

Cosco Capital has a strict stand against discrimination by gender or any other grounds at the workplace; and the group never allows any parameters to come in the way of recruitment, as well. This helps maintain a healthy gender balance in the group's businesses, and also aids in retention of both male and female employees.

Management Approach:

The Company has a number of policies that support women at the workplace:

- Breastfeeding Policy
- Maternity Leave Policy
- Leave for Victims of Violence Against Women
- Policy against Sexual Harassment
- Solo Parents Policy
- Policy for Special Leave for Women

Risks and Management Approach

Risks of incidents of discrimination

Given the number of branches that every business has, there is a potential risk of incidents of discrimination going unnoticed. This could tarnish the reputation of the group as a reputed workplace and affect employee retention in the long run.

Management Approach:

As per the policies highlighted in the above sections, strict actions against discriminatory acts are taken as per the law. These grievances are monitored on an everyday basis and escalated quickly for action, not providing scope for repetition of any of such acts.

Opportunities and Management Approach

Inclusive Hiring

Right now, Cosco Capital does not engage in any specific hiring based on inclusivity and there is no discrimination in hiring. However, in future, the group seeks to reserve a percentage of its roles for special groups such as single / disabled men / women, people from multicultural communities, etc.

Management Approach:

A stock-taking exercise of existing roles that can be filled by people from diverse backgrounds will be conducted; and thereafter, an official policy on inclusive hiring will be released on the public domain.

Workplace Conditions, Labor Standards, and Human Rights



Occupational Health and Safety			
Disclosures	Units	2020	2021
Safe Man-Hours	Man-Hours	26,559,864*	28,323,984
No. of Work – Related Injuries	#	7	4
No. of Work – Related Fatalities	#	0	0
No. of Work – Related Ill-Health	#	0	84
No. of Safety Drills	#	420	249

*Restatement of 2020 data: Safe Man-Hours –26,559,864 Man-Hours. Instead of previously reported: Safe Man-Hours – 42,997,803 Man-Hours. The restatement was made due to Safe Man-Hours recalculation

The table above shows safety data for the years 2020 and 2021. While safe man-hours increased in line with the country opening up post the pandemic, the number of work-related injuries dropped. However, the number of work-related ill health instances increased significantly as a result of the second wave of the COVID-19 pandemic.

Impacts and Management Approach

Zero Injury Workplace

By following safety protocols in a strict manner, the Cosco Capital Group is rapidly moving towards creating a zero-injury workplace. This has not been achieved so far; however, the group plans to get there in the future. This will ensure a safer and more comfortable work environment for workers and increase their trust and loyalty in the group.

Management Approach:

There are Safety Policies for every business, with clauses specified for each business's context. For instance, the Puregold Price Club's Safety Policy specifies employee and supervisor responsibilities, safety precautions per work area (offices, store / selling area, warehouse area, and electrical room). The business also has a COVID-19 Safety Manual, which specifies new normal safety and preventive practices at work and defines how COVID is transmitted so everybody could work together towards its prevention. In addition to this, the Puregold business has a Critical Incident Management Manual that specifies the organizational structure for managing such critical incidents, the Incident Command System, Evacuation and Relocation procedures, Damage Assessment and Recovery methods, and an Emergency Management Cycle.

Risks and Management Approach

Hiccups to integrating safety as a culture

As already highlighted in some of the previous sections, there were a lot of hiccups to training programs in general and safety related drills during the pandemic, posing the risk of employees not following protocols accurately. In the long run, this also jeopardizes the integration of safety as a culture in the group.

Management Approach:

Safety drills are an ongoing practice at Cosco Capital and its associated businesses, and safety seminars are a part of the orientation program for all employees. For instance, the S&R business has the following safety training programs in place under the RMD program:

- 8 hours health and safety seminar for all employees
- Fire Incident and Safety Orientation for Food Service and Quick Service Restaurants
- Safety Orientation for Newly Hired Employees of QSRs and Food Service
- Fire Drills and Seminars for Distribution Centers and Warehouses
- Creation of Emergency Response Team for DCM
- Creation of Health and Safety Committee for DCM
- Monthly Health and Safety Meeting
- Bi-Annual Security and Safety Audit

The group also aims to institutionalize such mandatory topics through digital and self-paced learning approaches moving forward to take pandemic related issues out of the equation.

SOCIAL RESPONSIBILITY

Labor Laws and Human Rights			
Disclosures	Units	2020	2021
No. of Legal Actions or Employees Grievance	Man-Hours	26,559,864*	28,323,984

No. of Legal Actions or Employees Grievance			Reference in Company Policy
Topic	2020	2021	
Forced Labor	No	No	
Child Labor	No	No	
Human Rights	Yes	Yes	Anti-sexual Harassment Policy Company Policy & Rule on STD/HIV/AIDS, Drug-Free Workplace Policy

The above table shows that there were zero incidents of grievance involving forced or child labor – though guidelines on these are not specifically spelled out in any of the workplace policies. The same policies highlighted in the workplace policies section also govern labor laws and human rights; therefore, the management approach for this topic is also similar.

Supply Chain Management



Supplier Accreditation Policy:
ANNEX 1 SUPPLIER ACCREDITATION POLICIES AND PROCEDURES

Sustainability Topics when accrediting Suppliers	2020	2021	Reference in Company Policy
Environmental Performance	No	No	
Forced Labor	No	No	
Child Labor	No	No	
Human Rights	No	No	
Bribery and Corruption	No	No	

The table above shows that none of the ESG topics listed is covered in supplier accreditation policies and procedures.

Impacts and Management Approach

Sustainable Supply Chain

By ensuring that suppliers meet sustainability standards, the group can establish the presence of ESG standards throughout the value chain. This will ensure that the highest ESG standards are maintained in all products and services offered by the group.

Management Approach:

The group plans to launch a supplier ESG policy wherein standards to be met by suppliers on environmental, economic, and social aspects are specified and communicated to all suppliers. Thereafter, capacity building will be carried out for these suppliers to bring them up to speed on these criteria and the criticality of following them.

Risks and Management Approach

Supplier non-compliance to ESG parameters

A definite risk that the Cosco Capital Group foresees is supplier non-compliance to ESG parameters, either because of lack of awareness, lack of willingness or lack of capacity to invest in related actions. This could affect Cosco Capital's objectives to integrate ESG into the value chain.

Management Approach:

Given that Cosco Capital's suppliers are extremely diverse, largely local and have been used to a certain way of operation, bringing them on board for adoption of ESG parameters takes a lot of investment in terms of time and resources. So the group shall take a measured and progressive approach to foster adoption of sustainable practices. The group seeks to start a supplier ESG screening process at a basic level, followed by incremental application of these screening criteria to tier 1, 2, and 3 of the supply chain as years progress.

Opportunities and Management Approach

100% Local Procurement

Currently, around 93% of all material is obtained locally. In future, Cosco Capital seeks to shift to 100% local procurement in order to foster sustainability and also to encourage local suppliers.

Management Approach:

An assessment of current products that are sourced from abroad will be conducted, in order to replace them with similar quality, local alternatives that can be bought from local suppliers. Though some products are exclusively sourced from abroad to meet the needs of customers, these will be re-assessed in the near future – and, if not replaced, will at least be sourced with minimal carbon footprint (ex: sea travel instead of air).

Relationship with Community



Operations with significant impacts on local communities	Location	Vulnerable groups	Impact on Indigenous people	Collective/individual rights	Mitigating measures or enhancement measures
Use of plastic	Some stores	N/A	No	N/A	We comply with LGU regulations that prohibit the use of plastic as packaging for items bought from the supermarkets. We are promoting the use of eco-bags or recyclable bags in our stores. We are studying more ways we can address this problem.
Food Waste	All stores	N/A	No	N/A	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.
Water Usage	All stores/offices	N/A	No	N/A	The company is complying with the Philippine Clean Water Act of 2004. The company has existing programs in water conservation, water re-use program of treated wastewater, and the use of rainwater for cleaning our facilities.
Food Safety	All stores	N/A	No	N/A	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.
Fleet Fuel Management	All stores	N/A	No	N/A	The company is preparing an Energy Management Policy to address this topic.
Environmental and Social Impacts in the supply chain	All stores	N/A	No	N/A	The company will adopt an effective Supply Chain Management Policy to address this material topic.
Data Security	All stores/offices	N/A	No	N/A	The company has implemented a Data Privacy Policy in compliance with existing Data Privacy Law and is regularly reviewing areas of improvements and effectiveness.
Air Emissions for Refrigeration	All stores	N/A	No	N/A	The company is preparing an Environmental Compliance Policy to address this topic.
Labor Practices	All stores/offices	N/A	No	N/A	The company is compliant with labor laws. But the company is still preparing for a comprehensive Labor Practices Manual to address this material topic.
Energy Management	All stores	N/A	No	N/A	The company is preparing an Environmental Compliance Policy to address this 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).

Customer Management



Health and Safety			
Disclosures	Units	2020	2021
No. of Substantiated Complaints on Product or Service Health and Safety*	#	120	312
No. of Complaints Addressed	#	120	312

Marketing and Labeling			
Disclosures	Units	2020	2021
No. of Substantiated Complaints on Marketing and Labelling*	#	172	80
No. of Complaints Addressed	#	172	80

The tables above show the number of complaints on product health and safety and marketing and labeling. The number of complaints have opposite performance on these two aspects relative to 2020.

Impacts and Management Approach

Customer trust and goodwill

Over time, stocking up / investing on only high-quality products and engaging in transparent branding and marketing will ensure increased customer trust and goodwill in the business, and ensure business survival in the long run.

Management Approach:

The Group has strict quality standards that need to be met by all suppliers, for all businesses including the retail and food service group. There has been a spike in the number of complaints on health and safety in 2021; however, the Group is doubling its efforts to ensure that no product negatively impacts the health of customers.

Risks and Management Approach

Jeopardy to customer health and safety

As highlighted in the data, there have been several complaints of customer health and safety in the past year. Such incidents could affect the well-being of the customers and also affect the group's reputation, threatening the standing of the business in the long run.

Management Approach:

For the retail and the food service business which face the utmost danger of customer complaints on health and safety, the Group is preparing a Food Safety program to specify standards for suppliers and to ensure correct information is displayed on products. Strict compliance to expiry dates shall be implemented when it comes to display of products.

Opportunities and Management Approach

Introduction of customer feedback surveys

In the very near future, the Cosco Capital group seeks to introduce customer satisfaction surveys that help obtain an idea of actual public opinion on the quality of the group's products and services. While market opinions are currently monitored in an informal manner, the group seeks to formalize this in the future and introduce a structured survey to measure such opinions.

Management Approach:

A consultant / third party expert will be hired to conduct the customer feedback survey every year, wherein structured questionnaires are used to assess customer opinion. In the long run, this will be converted into an in-store experience / group-driven endeavor wherein the customer uses an app to fill in their feedback on the spot.

Customer Privacy			
Disclosures	Units	2020	2021
No. of Substantiated Complaints on Customer Privacy*	#	1	0
No. of Complaints Addressed	#	1	0
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	#	0	0

Data Security			
Disclosures	Units	2020	2021
No. of Data Breaches, including Leaks,	#	1	1

There was one breach of customer / data privacy in 2021 (in the S&R business), which is described below:

On Nov. 14, 2021, a data security breach involving a total of 22,000 entries of personal information were leaked. However, this did not contain any financial information. The said incident was reported to NPC within the prescribed period of seventy-two (72) hours of getting to know about the breach. The breach affected the email service, membership, and other service programs. The Point-Of-Sale system, financial and operations systems (eg. ERP) were unaffected, which allowed the company to continue operations. The breach was done through a new generation of ransomware attacks wherein the threat actors demanded a ransom amount that the company did not subscribe to. Post this incident, the S&R business intensified existing security controls and measures to prevent such events in the future. The company rebuilt the affected systems with improved features and put in place stronger security practices.

Impacts, Risks and Management Approach

Customer Trust

Safe storage and usage of customer data by the group will lead to increased customer trust in the business, because of their belief that their data is in safe hands. This will increase their loyalty in the business and bring repeat customers to the business. Breaches in data privacy could have a serious impact on the business's reputation.

Management Approach:

The group adheres to the principles of Data Privacy Act (RA 10173) and comply with the best data privacy practices sanctioned in its Implementing Rules and Regulations and Memorandum Circulars issued by the National Privacy Commission.

Cosco Capital Data Privacy Policy https://www.coscocapital.com/corporategovernance.do?category_id=18252

Opportunities and Management Approach

Introduction of customer feedback surveys

In the future, the group seeks to use customer data in a positive manner, to customize the services offered by the group to each individual customer.

Management Approach:

This program wherein data is used optimally for customer satisfaction is the most relevant in the store-based businesses, where customers keep coming back. A system will be designed such that with prior customer consent, deals that go beyond general discounts and offer customized packages to customers based on what they buy will be put in place, to help them obtain a memorable experience while shopping with the group stores.

LINKAGE TO THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

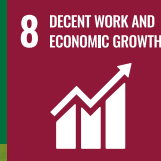
Economic Contribution



Php 4.25B
Taxes paid to the Government



97%
of Cosco economic value generated distributed to key stakeholders



Php 3B
Employee wages and benefits



11,647
Total no. of direct employees
>95% local hiring



Php 10.7M
Invested to scholarship and community development



0
Incidents of Corruption



Environment Performance



157
Wastewater treatment facilities compliant with Clean Water Act



2%
Clean energy used.
Solar rooftop installation in **12** stores.



57%
Direct GHG Emissions Reduction



99.97%
Compliant to Environmental Laws & Regulations



100%
of Puregold and S&R stores were converted to LED lamps.



100M
Reduction of plastic bags used in Puregold and S&R stores. 63% Puregold stores use paper bags.

Social Responsibility



753
Scholars graduated
107 Passed licensure exam
381 Current no. of scholars



56%
Female employees in the workforce



238
Employees from indigenous communities and vulnerable sector



4,325
Employees attended technical and behavioral skills training



612
Employees in Puregold and S&R promoted



0
legal actions or employee grievance on forced or child labor

Product or Service Contribution to UN SDGs



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services **RETAIL OPERATION**

Potential Negative Impact of Contribution

Cosco's retail business continues to touch the lives of countless people by introducing inclusive social programs for small and medium-sized enterprises (SMEs) across the country. Not only do the programs generate a sustainable means of livelihood for members, it also supports the micro-economy where these businesses thrive. With the absence of the programs, the possibility to nurture their livelihood opportunities may no longer be achieved and might eliminate the possibilities to create an improvement in their businesses.

Potential Negative Impact of Contribution

The company will continue to provide programs that will generate a sustainable means of livelihood for TNAP members such as educational programs that will serve as an avenue for the company to share its expertise to small business owners.

Puregold will ensure that they will also support the micro-economy where a large percentage of TNAP members thrive their businesses.

Puregold will continue to hosts annual conventions for Tindahan ni Aling Puring (TNAP) and KAINdustriya members to learn, collaborate, and even elevate their business goals.



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services **RETAIL OPERATION**

Potential Negative Impact of Contribution

LCCK Foundation Inc. created scholarship programs for gifted but underprivileged and deserving students. The company strongly believes that they can make a difference to the lives of the youth through the education programs developed under the foundation. If the foundation stops providing scholarship to its beneficiaries, students won't be able to have an access to quality education and quality life.

Potential Negative Impact of Contribution

The foundation will ensure that the beneficiaries will be able to recognize the value of education by being a ticket to a better life and future by continue providing scholarships to them.

Strengthen the partnership with the Universities and Local State Colleges to reach out the youth. Strengthening the commitment will also be observed by implementing and supporting activities set by the foundation to provide the beneficiaries a quality education and a quality life.



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services

RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

Potential Negative Impact of Contribution

As a company engaged in a highly competitive field, Cosco Capital Inc. supports a diverse workforce and aims to achieve a fair work environment for all of its employees. Even if the company practices and observes gender equality within the workplace, it is still unavoidable and might create more problems if not resolved immediately.

Potential Negative Impact of Contribution

Encourage and ensure women's full and effective participation and equal opportunities within the company to promote diversity.

All employees should have an access and enjoy the same rewards, resources and opportunities regardless of its gender.



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

The company's retail sector has made an enormous investment in promoting clean water and sanitation in most of its branches. Without access to clean water and sanitation, employees and customers might link to a transmission of several diseases, which are among the leading causes of mortality and morbidity.

Potential Negative Impact of Contribution

Improve efforts toward water treatment, and the industrial water recycling by continuing to establish sewage treatment plants compliant with the standards set by the Department of Environment and Natural Resources.

The company shall abide by the provisions of Republic Act No. 9275 or the Clean Water Act.



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

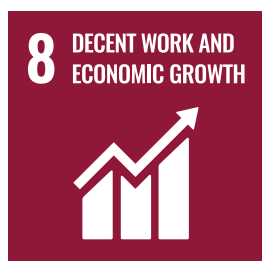
The production process of solar energy which generates a small amount of hazardous materials.

Refrigerants and AC used in branches that emits hazardous elements that might contribute to climate change.

Potential Negative Impact of Contribution

Activities will be implemented in order to manage the amount of hazardous material carefully, to prevent health and environmental problems.

In terms of reducing greenhouse gas emissions, ACs and refrigeration are being converted and upgraded to climate-friendly refrigerants.



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services

RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

Potential Negative Impact of Contribution

As the COVID-19 pandemic took over the world, Cosco Capital, Inc. continues to provide their employees with decent work opportunities since thousands of its employees depend on the company for their jobs and livelihoods. If the company does not provide them with decent work, the lives of these employees and their families will not improve, and they will most likely to suffer from poverty, inequalities, and even abuse during this time of pandemic.

Potential Negative Impact of Contribution

The company will continue providing decent jobs for all of its employees by developing their skills, paying them a living wage so that they can have the capability to provide the needs of their families.

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.



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

Inequality is a major obstacle to a sustainable economic growth. The company is working on ways to contribute to reducing inequalities by hiring employees from vulnerable sector such as Persons with Disabilities (PWD) and Single-Parents. If the company does not provide them the opportunity, they will not be able to provide the needs for their families and potentially deprive them to become a part of an inclusive culture where they can show their full potential.

Potential Negative Impact of Contribution

The company shall provide the vulnerable sector with an access to same rewards, benefits, resources, and opportunities to promote equality in the workplace.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

The company potentially contributes to the world's problems of food waste, greenhouse gas emissions, and even the increasing cases of obesity.

Considering its rapidly growing operations, Cosco Capital recognizes the impact it has on the environment. The company has taken measures to prioritize the efficient management of its resources. Converting lighting to Light Emitting Diode (LED) lighting fixtures is one of the activities that the company does to ensure our sustainable consumption.

Potential Negative Impact of Contribution

Our company is the market for manufacturers and consumers. We are in 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 behaviors and make them more inclined to support sustainable products and to eat healthier food.

The company has taken an active step to convert 100% of its properties with LED to reduce its carbon footprint and contribution to greenhouse gas emissions.

13 CLIMATE ACTION



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services

RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

Potential Negative Impact of Contribution

The use of plastic bags as a package container of our customers when they buy items from our store;

Food waste and other solid waste from processing food in our stores;

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.

Potential Negative Impact of Contribution

The company 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 healthier food.

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.



**Societal Value/
Contribution to
UN SDGs**

Key Products and Services

RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

Potential Negative Impact of Contribution

Cosco Capital Group supports the concept of having a good corporate governance to support the long-term success and sustainability of the business. There has been no record of any incident of corruption or bribery involving the Company's directors which proves that it has good corporate governance since its policies regarding corruption have been communicated properly to the directors and employees of the company. But, high rank employees are at risk of corruption as long as the opportunity to do so exists in the organization.

Potential Negative Impact of Contribution

The company shall commit to being more effective in its internal controls to purge opportunities to commit corruption or fraud.

The company shall enhance anti-corruption policies and procedures and train employees to abide by it.

The company shall continue with the orientation and strict implementation of anti-corruption policies and procedures.

ANNEX 1 SUPPLIER ACCREDITATION POLICIES AND PROCEDURES

	SUBJECT TITLE: 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 include 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.



SUBJECT TITLE:
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 (same vendor but registered under a new name) Revisions in the previous set-up or defaults (changes in the vendor information except that information that can be overridden during Purchase Order preparation)	- Taxpayer Record Update - COR Change in address - COR Change in TIN - Taxpayer Record Update	Edit the name of existing vendor to name of new vendor. Edit the information based on approved request of existing vendor.
Replacement of Old Vendor to New Vendor (Transactions will be made to the newly set-up vendor instead of previously maintained supplier.)	Same requirement for New Vendor	For the Old Vendor- encode 'NTBU' (Not to be used) prefix on the vendor name and tagged as 'I' (Inactive) Create new vendor code for the replaced supplier.
Deactivation of Supplier (No replacement vendor)		Encode 'NTBU' (Not to be used) prefix on the vendor name and tagged as 'I' (Inactive).

	SUBJECT TITLE: 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.



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ANNEX "F"

PUREGOLD PRICE CLUB, INC. LIST OF IPO REGISTERED TRADENAMES

NO.	TRADE NAME	REPRESENTATION OF MARK
1	ALWAYS PANALO	ALWAYS PANALO
2	ANYWEAR	ANYWEAR
3	AQUALIFE	AQUALIFE
4	AQUALIZED	Aqualized
5	ATLANTIC	ATLANTIC
6	BELLOTA	BELLOTA
7	CATTLEYA	CATTLEYA
8	CLIQUE Logo	
9	COFFEE MATCH	
10	COFFEE MAX	Coffee MAX
11	DFP	DFP
12	DRY PLUS	DRY PLUS
13	EASY HOME DEPOT	EASY HOME DEPOT
14	EQUAL	Equal
15	EQUAL	Equal
16	EQUIVALENT	EQUIVALENT
17	EZEE	EZee

18	FRESH & EASY	
19	FRESH & FREE	
20	GOLD YARN	
21	GOPURE	GoPure
22	GRAND P	Grand P
23	GREAT SUPERMARKET	Great Supermarket
24	HER COLLECTION/HIS COLELCTION	
25	HIS KIDS/HER KIDS	
26	HOME CLEAN	HOME CLEAN
27	JOOZY	
28	KA-ASENSO	Ka- asenso
29	KAINDUSTRIYA	
30	KITANG-KITA CASE	
31	KOBE CHICKEN	Kobe Chicken
32	LA FLOR DE LA ISABELA	LA FLOR DE LA ISABELA
33	LA FLOR DE LA ISABELA	LA FLOR DE LA ISABELA

34	MAGIC GLOW	<i>Magic Glow</i>
35	MARKET 999	MARKET 999
36	MINI MART BY PUREGOLD	Mini Mart by Puregold
37	MOMMY MARKET	Mommy Market
38	MR. PAPER	MR. PAPER
39	MY BABY PLANET	My Baby Planet
40	NE KAYA 'YAN CABAYAN!	
41	NEGOSYO MO CABAYAN...	
42	PANALO KARD	PANALO KARD
43	PEOPLE'S RICE	PEOPLE'S RICE
44	PERFECT MATE	PERFECT MATE
45	PERKS LOYALTY CARD	PERKS LOYALTY CARD
46	PISO GARANTISADO	Piso Garantizado
47	POSITIVE 99	POSITIVE ≤99
48	PREM	PREM
49	PREMIUM GOLD	<i>Premium Gold</i>
50	PUHUNAN PLUS	PUHUNAN PLUS

51	PURE BASICS	PURE BASICS
52	PURE BASICS (Black Background)	
53	PURE BASICS (labels)	PURE BASICS
54	PURE BASICS Panlaban sa Sebo, Panalo sa Presyo	PURE BASICS Palaban sa Sebo, Panalo sa Presyo
55	PURE BASICS Pure Clean, Pure White	PURE BASICS Pure Clean, Pure White
56	PURE BASICS Pure Freshness, Pure Softness	PURE BASICS Pure Freshness, Pure Softness
57	PURE HEALTH CARE	Pure Health Care
58	PURE PADALA	
59	PURE PHARMACY	PURE PHARMACY
60	PURE PLUS	Pure Plus
61	PURECART	PURECART
62	PURECASH	PureCash
63	PUREGLIDE	PUREGLIDE
64	PUREGOLD FREE	Puregold Free
65	PUREGOLD HOME OFFICE	Puregold Home Office

66	PUREGOLD NUTRITIONISCOOL	Puregold NutritionIsCool
67	PUREPLEASURE	PUREPLEASURE
68	PUREPLUS	Pure Plus
69	REACH	
70	SA PUREGOLD, ALWAYS PANALO	SA PUREGOLD, ALWAYS PANALO!
71	STACK & STOCK RIGHT	
72	TINDAHAN NI ALING PURING (Super SIM and Device)	
73	TABACALERA	TABACALERA
74	TINDAHAN NI ALING PURING ABOT KAYA ANG ASENSO	TINDAHAN NI ALING PURING ABOT KAYA ANG ASENSO!
75	TIPPTOES	
76	TWIN ELEPHANT	TWIN ELEPHANT
77	VIPuring	VIPuring
78	WRAP & SEAL	Wrap & Seal

ANNEX "G"

SUMMARY OF SEC 17- C REPORTS

The following are the summary of the SEC Form 17-C filed by the Company:

Date of Report	Date Filed with SEC
January 29, 2021	January 29, 2021
2020 Attendance report of Puregold's member of the Board of Directors.	
March 23, 2021	March 26, 2021
Notice of Analyst Briefing Full year 2020 results	
March 24, 2021	March 26, 2021
Press release entitled "Puregold net income grew 18.9% to P8.05 billion in FY 2020"	
March 26, 2021	March 26, 2021
Result of Special Board Meeting of Puregold Price Club, Inc. In its meeting today, March 26, 2021, the Board of Directors of Puregold Price Club, Inc. approved the following: 1. List of nominees for the election of regular and independent directors for the year 2021-2022: a. Mr. Lucio L. Co as regular director b. Mrs. Susan P. Co as regular director c. Mr. Ferdinand Vincent P. Co as regular director d. Ms. Pamela Justine P. Co as regular director e. Mr. Leonardo B. Dayao as regular director f. Mr. Jack E Huang as regular director g. Mr. Edgardo G. Lacson as independent director h. Mr. Jaime S. Dela Rosa as independent director i. Mrs. Marilyn V. Pardo as independent director 2. Eligibility of Mr. Lacson and Mrs. Pardo to serve as Independent Directors for an extended period of two years. The Board of Directors resolved to approve their nominations as Independent Directors even beyond the 9-year term for the following reason: "COVID 19 pandemic brought a lot of uncertainties in our business and to the Philippine economy as a whole. Many challenges of unprecedented scale prompted the Company to adopt and respond as fast as we can. More than ever, we need a Board of Directors who can quickly and competently respond to these challenges. Such fast and adept response would only come from directors who are very knowledgeable of the Company's core values and culture and who hold the organization's trust to be competent in guiding us navigate through these extraordinary times. The Company strongly believes that any changes in the Board, as of the moment, would burden the Company instead of helping it overcome this global pandemic." 3. Re-appointment of RG Manabat & Company as External Auditor of the Company and its subsidiaries for the year 2021 with a fee of up to P5.7 million.	

4. Details of the Annual Stockholders' Meeting: Date: May 11, 2021 Time: 10:00 am Manner: Via live stream Record Date: April 14, 2021 Distribution of Notice: By publication per SEC Notice dated March 16, 2021 Manner of Voting: By remote communication or in absentia.	
May 29, 2021	April 6, 2021
<i>Notice of Annual Stockholders Meeting of Puregold Price Club, Inc.</i> Please be informed that the Annual Stockholders' Meeting of Puregold Price Club, Inc. will be on May 11, 2021, 10:00am, via live stream. Date of Approval by Board of Directors: March 26, 2021 Date of Stockholders' Meeting: May 11, 2021 Time: 10:00 AM Venue: via live stream Record date: April 14, 2021 Agenda: 1. Call to Order 2. Certification of Notice and Quorum 3. Approval of the Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management since the last stockholders' meeting 4. Annual Report and Approval of the 2020 Audited Financial Statements 5. Re-election of Directors including the Independent Directors 6. Appointment of External Auditor and fixing its remuneration 7. Other Matters 8. Adjournment Inclusive dates of Closing of Stock Transfer Books Start Date: April 15, 2021 End Date: May 11, 2021	
March 29, 2021	April 6, 2021
Materials for Analyst's Briefing dated March 29, 2021, 3PM, Manila. Time	
April 6, 2021	April 20, 2021
List of stockholders as of record date April 14, 2021.	
May 4, 2021	May 5, 2021
<i>Result of Board Meeting of Puregold Price Club, Inc. dated May 4, 2021</i> The Board of Directors of Puregold Price Club, Inc. approved, in its regular meeting today, the Financial Reports of Puregold Price Club, Inc. and subsidiaries as of March 31, 2021. The Company will submit the SEC Q-1 2021 Report to the Securities and Exchange Commission on or before May 14, 2021.	
May 7, 2021	May 7, 2021

Analyst Briefing First Quarter 2021 Results

Puregold Price Club, Inc. will hold a virtual analyst briefing for the First Quarter 2021 results on May 13 2021 (Thursday) at 3:00 PM Manila Time.

The Zoom teleconference will run for approximately between thirty (30) minutes to one (1) hour.

A Q&A segment will comment after the brief presentation where participants will be given the opportunity to raise questions.

Zoom Call details will be send out to registered participants by May 12, 2021.

May 11, 2021

May 11, 2021

Result of Annual Stockholders Meeting

Number of Common Shares Issued and Outstanding as of Record Date: 2,884,232,615

A. Attendance:

1. Stockholders representing a total of 2,356,874,043 attended the meeting, inperson, by proxy or *in-absentia*, or 82% of the total outstanding shares.
2. The following directors and executive officers attended the meeting:
 - a. Mr. Lucio Co, Regular Director
 - b. Mrs. Susan Co, Regular Director
 - c. Mr. Ferdinand Vincent Co, Regular Director
 - d. Ms. Pamela Justine Co, Regular Director
 - e. Mr. Leonardo B. Dayao, Regular Director
 - f. Mr. Jack Huang, Regular Director
 - g. Mr. Jaime Dela Rosa, Independent Director
 - h. Mr. Edgardo Lacson, Independent Director
 - i. Mrs. Marilyn Pardo, Independent Director
 - j. Mr. Levi Labra, Board Consultant
 - k. Mr. Antonio Delos Santos, Head – National Operation
 - l. Mrs. Nicy Carolino, Vice – President for Administration
 - m. Ms. Maritess Lontoc, Internal Auditor
 - n. Mr. Anthony Sy, S&R President
 - o. Mrs. Gisela Altura, S&R Comptroller
 - p. Mr. John Hao, Investors Relations Officer
 - q. Mr. Joseph Sy, Senior Regional Manager
 - r. Mr. Dindo Dioso of RG Manabat & Co. (KPMG)

B. Result of Votes per Item Agenda Approved during the Annual Meeting:

Agenda Item	FOR	AGAINST	ABSTAIN
Approval of the Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2020	2,356,874,043	0	0
Approval of 2020 Annual Report and Audited Financial Statements	2,356,473,343	0	400,700
Re-appointment of RG Manabat & Company as External Auditor of the Company and subsidiaries for the year 2021 with up to P5.7 million remuneration	2,356,873,643	0	400

Eligibility of Mr. Edgardo Lacson and Mrs. Marilyn Pardo to be nominated and elected asindependent directors for another two years despite the lapse of their 9-year term asindependent directors.	2,238,527,228	26,742,110	91,604,705
Election of Directors			
Lucio L. Co	2,239,728,572	117,145,471	0
Susan P. Co	2,237,930,982	118,943,061	0
Ferdinand Vincent P. Co	2,350,085,896	6,788,147	0
Pamela Justine P. Co	2,347,184,130	6,788,147	0
Leonardo B. Dayao	2,231,658,542	124,989,001	226,500
Jack T. Huang	2,270,891,085	85,981,458	1,500
Jaime S. Dela Rosa, Independent Director	2,324,486,908	32,385,235	1,900
Edgardo G. Lacson, Independent Director	2,275,361,390	81,510,753	1,900
Marilyn V. Pardo, Independent Director	2,249,240,640	107,631,503	1,900

C. Minutes of the Annual Stockholders Meeting

May 11, 2021	May 11, 2021
Result of Organizational Meeting	
Chairman: Mr. Lucio L. Co Vice-Chairman: Mrs. Susan P. Co President: Mr. Ferdinand Vincent P. Co Treasurer: Ms. Grace E. Sy Senior Finance Officer: Mrs. Maricel R. Cambe Senior Finance Officer: Mr. Kenneth N. Tiu Corporate Secretary: Baby Gerlie I. Sacro Asst. Corp. Sec. and Compliance Officer: Atty. Candy H. Dacanay-Datuon Lead Independent Director: Mr. Edgardo G. Lacson Internal Audit and Risk Officer: Ms. Marie Teresa S. Lontoc Legal Counsel: Atty. Andres S. Santos Board Consultant: Mr. Levi B. Labra Sustainability Officer: Mr. John Hao	
Executive Committee:	
Chairman: Mr. Lucio L. Co Members: Mrs. Susan P. Co, Mr. Ferdinand Vincent P. Co, Ms. Pamela Justine P. Co and Mr. Leonardo B. Dayao Ex-Officio Members: Mr. Antonio Delos Santos and Mr. Anthony G. Sy	
Audit Committee:	
Chairman: Mr. Edgardo G. Lacson Members: Mr. Jaime S. Dela Rosa, Mrs. Marilyn V. Pardo, Mrs. Susan P. Co and Mr. Leonardo B. Dayao Ex-Office Members: Ms. Maria Teresa S. Lontoc and Mrs. Maricel R. Cambe	
Corporate Governance Committee:	
Chairman: Mrs. Marilyn V. Pardo Members: Mr. Jaime S. Dela Rosa, Mr. Edgardo G. Lacson, Mr. Lucio L. Co and Mr. Leonardo B. Dayao Ex-Officio Members: Atty. Candy H. Dacanay-Datuon and Mrs. Denise Maria D. Carolino	
May 12, 2021	May 17, 2021

Press release entitled “Puregold net income grew 14.6% to P2.02 billion in 1Q 2021”	
May 14, 2021	May 17, 2021
Buy Back of 200,000 Pgold shares	
May 25, 2021	May 28 2021
Buy Back of 200,000 Pgold shares	
May 26, 2021	May 28, 2021
Buy Back of 200,000 Pgold shares	
June 2, 2021	June 3, 2021
Buy Back of 100,000 Pgold shares	
June 10, 2021	June 11, 2021
Buy Back of 100,000 Pgold shares	
June 22, 2021	June 22, 2021
Buy Back of 80,000 Pgold shares	
November 5, 2021	November 8, 2021
Puregold Analyst Briefing Nine Months 2021 Results Puregold Price Club, Inc. will hold a virtual analyst briefing for the Nine Months 2021 results on November 11, 2021 (Thursday) at 3:00 PM Manila Time. The Zoom teleconference will run for approximately between thirty (30) minutes to one (1) hour. A Q&A segment will comment after the brief presentation where participants will be given the opportunity to raise questions. Zoom Call details will be sent out to registered participants one day prior to the event. Only confirmed participants will be allowed to join the telecom briefing.	
November 9, 2021	November 10, 2021
<i>Result of Board Meeting of Puregold Price Club, Inc. dated November 9, 2021</i> The Board of Directors of Puregold Price Club, Inc. has approved today the Company's Consolidated Financial Performance as of September 30, 2021. The mandatory Quarterly Report (SEC17-Q) will be submitted on or before November 15, 2021.	
November 10, 2021	November 10, 2021
Press release entitled “Puregold net income grew 13.6% to P5.73 billion in 9M 2021”	
November 12, 2021	November 12, 2021
Company Presentation for its 9M 2021 Results and Performance.	
November 9, 2021	November 15, 2021
<i>Result of Board Meeting of Puregold Price Club, Inc. dated November 9, 2021</i> The Board of Directors of Puregold Price Club, Inc. has approved today the Company's Consolidated Financial Performance as of September 30, 2021. The mandatory Quarterly Report (SEC17-Q) will be submitted on or before November 15, 2021.	

December 9, 2021	December 10, 2021
Buy Back of 165,000 Pgold shares	
December 14, 2021	December 15, 2021
Buy Back of 100,000 Pgold shares	
December 21, 2021	December 21, 2021
Result of Regular Board Meeting: - Declaration of Cash Dividend - Amount per share: - P0.25 per share regular cash dividend - P0.20 per share special cash dividend - P0.05 per share gratuity cash dividend = total of P0.50 per share cash dividend or a total of P1.4 billion (17.8% of prior year's net income). Declaration date : December 21, 2021 Record date: January 10, 2021 Payment date: February 1, 2021 - Renewal of Buy Back Program - Amount allocated: P5 billion - Period: One year 2022 Annual Stockholder's Meeting - Date: May 10, 2022 - Time: 10:00AM - Record date: March 25, 2022 - Mode: via remote communication	