



April 17, 2019

Securities and Exchange Commission
G/F Secretariat Bldg., PICC Complex
Roxas Blvd., Pasay City

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

The Philippine Stock Exchange, Inc.
6/F PSE Tower, BGC, Taguig City

Attention: **Ms. Janet Encarnacion**
Head - Disclosure Department

Subject: **Definitive Information Statement**



GENTLEMEN:

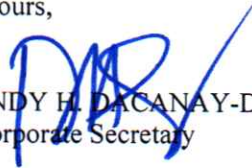
For submission is the Definitive Information Statemet of Puregold Price Club, Inc. with the following compliance and attachments:

Item No.	Please see page
1) Security Ownership of Certain Record and Beneficial Owners and Management	7
2) Summary of Compensation Table	12-13
3) General Effect of the Amendment of Articles of Incorporation (Increase of Authorized Capital Stock)	15-16
4) Market Price of and Dividends on Common Shares	18
5) Discussion on compliance with leading practices on corporate governance.	20
6) Undertaking to provide SEC Form 17-A without charge to each person solicited upon written request	22
7) Compliance with the requirements of Section 49 of the Revised Corporation Code on the presentation to stockholders	16

Annex "A" - Proxy Form
Annex "B" - Business Profile of Directors and Key Officers
Annex "C" - Management Discussion and Analysis of Financial Position
Annex "D" - Consolidated Audited Financial Statement
Annex "E" - Supplementary Schedules
Annex "F" - Certificate of Independent Director of Mr. Edgardo G. Lacson
Annex "G" - Certificate of Independent Director of Ms. Marilyn V. Pardo
Annex "H" - Certificate of Independent Director of Mr. Jaime S. Dela Rosa

Thank you.

Very truly yours,


ATTY. CANDY H. DACANAY-DATUON
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION SHEET

PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

Check the appropriate box:

- ☐ Preliminary Information Statement
☒ Definitive Information Statement

Name of Registrant as specified in its charter:

PUREGOLD PRICE CLUB, INC. (the "Company")

Province, country or other jurisdiction of the Company or organization:

Manila, Philippines

SEC Identification Number:

A199813754

BIR Tax Identification Code:

201-277-095

Address of principal office:

No. 900 Romualdez St., Paco, Manila

Registrant's telephone number, include area code:

(632) 822-8801 to 04; (632) 523-3055

Date, time and place of the meeting of security holders:

May 14, 2019, 9:00 AM, at the Acacia Hotel, Alabang, Muntinlupa City

Approximate date on which the Information Statement (including Proxy Form and other solicitation materials) are first to be sent or given to security holders:

April 16, 2019

Name of Person Filing the Statement / Solicitor:

The President, or in his absence the Chairman of the Board of Directors

Address: 2/F Tabacalera Building, 900 Romualdez St., Paco, Manila

Telephone No.: (632) 882-8801 to 04; (632) 523-3055

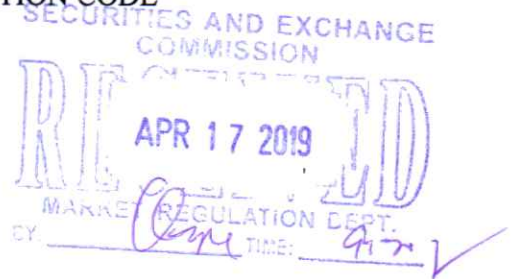
Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Authorized Capital Stock: ₱3,000,000,000(₱1.00 par value)

No. of shares outstanding as of March 31, 2019 – 2,869,681,406 common shares

Treasury shares as of March 31, 2019 – 19,981,471 common shares

No. of Votes Entitled: One (1) vote per share



Are any or all of registrant's securities listed on a Stock Exchange:
Yes [☒] No [☐]

If yes, disclose the name of such Stock Exchange:
Philippine Stock Exchange

The class of securities listed therein:
Common shares

Notice of Annual Stockholders' Meeting

Notice is hereby given that the Annual Stockholders' Meeting of Puregold Price Club, Inc. (the "Company") will be held on May 14, 2019, 9:00 am, at the Acacia Hotel, Alabang, Muntinlupa City with the following agenda:

1. Proof of Notice, Existence of Quorum and Call to order
2. Approval of Minutes of the 2018 Annual Stockholders' Meeting and Ratification of all acts and resolutions of the Board of Directors and Management from the date of the previous Stockholders' Meeting
3. Annual Report
4. Election of Regular and Independent Directors
5. Appointment of External Auditor
6. Approval of the listing of 123,256,627 common shares
7. Approval of the increase of authorized capital stock to P5 billion
8. Other Matters
9. Adjournment

Stockholders of record as of the close of business on April 16, 2019 are entitled to notice of, and to vote at such meeting. The stock and transfer book of the company will be closed from April 17, 2019 to April 27, 2019.

If you do not expect to attend the meeting, you may execute and submit the attached Proxy Form to the Office of the Corporate Secretary of the Company at No. 900 Romualdez St., Paco, Manila, 1007. The deadline for submission of proxies is on May 9, 2019.

Registration shall start at 8:00 a.m. and will close at 8:45 a.m. Valid identification cards will be required to facilitate registration.

April 16, 2019, Manila, Philippines.

Puregold Price Club, Inc.

By:



Ms. Baby Gerlie I. Sacro
Corporate Secretary

**WRITTEN EXPLANATION ON THE AGENDA OF THE
ANNUAL STOCKHOLDERS MEETING**

1. Call to Order and Certification of Service of Notice and Existence of Quorum

Upon certification by the Corporate Secretary that there is quorum for the 2018 Annual Stockholders Meeting (ASM), the Chairman will call the meeting to order.

2. Approval of the Minutes of the previous ASM and ratification of all acts and resolutions of the Board of Directors and Management from the date of the previous Stockholders' Meeting

The Minutes of the last ASM and summary of all acts and resolutions of the Board of Directors and Management from the date of the previous Stockholders' Meeting are for ratification of the stockholders.

3. Annual Report and the Audited Financial Statements as of December 31, 2018

The Annual Report and the Audited Financial Statements of the Company will be presented during the stockholders' meeting. The said reports were made public on April 15, 2019.

4. Election of Directors for 2019

The nominees for 2019 Board of Directors are:

Regular Directors

Mr. Lucio L. Co
Mrs. Susan P. Co
Mr. Ferdinand Vincent P. Co
Mr. Leonardo B. Dayao
Ms. Pamela Justine P. Co
Mr. Jack Huang

Independent Directors

Mrs. Marilyn V. Pardo
Mr. Edgardo G. Lacson
Mr. Jaime Dela Rosa

5. Re-Appointment of External Auditor

On March 29, 2019, R.G. Manabat and Company was approved by the Board of Directors to be the External Auditor of the Company for the year 2019. The re-appointment of R. G. Manabat and Company is for ratification of the stockholders.

6. Approval of the listing of 123,256,627 common shares

As of March 31, 2019, the Company has 123,256,627 unlisted common shares with the Philippine Stock Exchange. The said shares for additional listing are composed of the following:

(a) 104,300,000 shares in the name of Lucio L. Co pursuant to the January 16, 2019 top up placement of the Company.

(b) 18,956,471 treasury shares or 16,911,006 common shares that were paid to Puregold Price Club, Inc. as consideration of for the merger between the Company and Puregold Junior Supermarket, Gant Group of Companies, and S-CV Corporation and 2,045,465 common shares that were paid to Puregold Price Club, Inc. as consideration of merger between the Company and Company E Corporation.

(c) 156 shares of the Co Family (26 shares each Lucio Co, Susan Co, Vincent Co, Pamela Co, Camille Co, and Katrina Co) as consideration for their one share of Puregold Junior Supermarket when the latter was merged to Puregold Price Club, Inc.

7. *Approval of the increase of authorized capital stock to P5 billion*

The current capital structure of the Company are as follows:

Authorized Capital Stock:	3,000,000,000
Issued Shares:	2,889,662,877
Outstanding Capital Stock:	2,869,681,406
Treasury Shares:	19,981,471
Listed Shares:	2,766,406,250
Unissued Shares:	110,337,123

Considering the limited number of unissued shares of the Company after the recent top-up placement in January 16, 2019, wherein the Company issued 104,300,000 new shares, the Board of Directors resolved to increase the authorized capital stock from P3 billion to P5 billion. The increase will allow the company to offer and sell more shares in the future if it needs to raise additional funds.

After the stockholders' approval of the matters herein stated, the capital structure of Puregold Price Club, Inc. will reflect as follows:

Authorized Capital Stock:	5,000,000,000
Issued Shares:	2,889,662,877
Outstanding Capital Stock:	2,869,681,406
Treasury Shares:	19,981,471
Listed Shares:	2,889,662,877
Unissued Shares:	2,110,337,123

8. *Other matters*

The Chairman will open the floor for any question or clarification from the stockholders.

Part I - Information Statement

A. General Information

Item 1. Date, time and place of meeting of security holders.

- (a) Date of Meeting: May 14, 2019
Time of Meeting: 9:00 AM
Place of Meeting: Acacia Hotel, Alabang, Muntinlupa City

Principal Office and Mailing Address:

Office of the Corporate Secretary
2/F Tabacalera Building
No. 900 Romualdez St., Paco, Manila, 1007

- (b) This Information Statement and the accompanying Proxy Forms will be first sent to stockholders as of record date on or before April 16, 2019 in accordance with the by-laws of the Company and the Securities and Regulation Code.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

Item 2. Dissenter's Right of Appraisal

The proposed amendment in the Articles of Incorporation of the Company – increasing the authorized capital stock from P3 billion to P5 billion – may give rise to a possible exercise by the security holders of their appraisal right under Title X of the Corporation Code of the Philippines.

A stockholder who shall have voted against the aforesaid proposed action (the “dissenting stockholder”) may exercise his appraisal right by making a written demand on the Company within thirty (30) days after the Stockholders’ Meeting date. Failure to make the demand within the prescribed period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay the dissenting stockholder upon surrender of the stock certificates representing his shareholdings in the Company based on the fair value thereof as of the day prior to the date of the Stockholders’ Meeting, excluding any appreciation or depreciation in anticipation of such corporate action, provided that no payment shall be made to the dissenting stockholder unless the Company has unrestricted retained earnings to cause such payment.

Item 3. Interest of Certain Persons in or Opposition to Matter to be acted upon

- (a) No current director or officer nor any associate thereof of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon other than the election of directors for the year 2019.

- (b) No director of the Company has given information that he intends to oppose any action to be taken by the Company at the meeting.

B. Control and Compensation Information

Item 4. Voting Securities and Principal Holders Thereof

- a. As of March 31, 2019, the Company has the following outstanding shares of common stock: 2,869,681,406 common shares and 19,981,471 treasury shares. The Company's common shares shall not be issued to non-Philippine nationals in excess of forty percent (40%) of the Company's outstanding capital stock. Each share is entitled to one (1) vote.
- b. Only holders of the Company's stocks as of record date, April 16, 2019, are entitled to notice of, and to vote at, the Stockholders' Meeting.
- c. Election of directors shall be held at the Annual Stockholders' Meeting on the date and place as herein stated. It shall be done by majority of stock represented in the meeting and shall be conducted in the manner provided by Section 24 of the Corporation Code of the Philippines, and with such formalities and in such manner as the presiding officer at the meeting shall then and there determine and provide.
- (1) Stockholders entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected.
- (2) Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit;
- (3) Provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.
- (4) Discretionary authority to cumulate vote is not solicited.

d. Security Ownership of Certain Record and Beneficial Owners and Management.

Stockholder holding the highest percentage of common stock of the Company is Cosco Capital, Inc. (Cosco). As of March 31, 2019, Cosco owns 49% of the outstanding common stock of the Company or a total of 1,410,867,188 common shares.

Cosco's principal office is at No. 900 Romualdez St., Paco, Manila. It is 76% owned by the Lucio L. Co Group and 24% owned by the public.

Mr. Lucio L. Co will vote in the Annual Meeting of the Company in behalf of Cosco. Mr. Co, Filipino, is the Chairman of Cosco holding under his name a total of 2,365,741,492 or 32% of the total outstanding shares of Cosco.

The Company has the following information about persons or group of persons known to be record or beneficial owners of more than 5% of the capital stock of the Company:

Title of Class	Name, Address of record owner	Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	Percent
Common	Cosco Capital, Inc. No. 900 Romualdez St., Paco, Manila	Stockholder/ Parent Company	Parent Company	Filipino	1,410,867,188	49.16%
Common	Lucio L. Co, No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Chairman	Record owner himself	Filipino	211,088,022	7.36%
Common	Susan P. Co No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Vice-Chairman	Record owner herself	Filipino	178,242,585	6.21%
Common	PCD Nominee Corp. (Non-Filipino)	Stockholder/ Not related	Acting for various clients*	Non-Filipino	588,277,829	20.50%
Common	PCD Nominee Corp. (Filipino)	Stockholder/ Not related	Acting for various clients*	Filipino	455,764,116	15.88%

**As of December 31, 2018*

In the table below are the holdings of the Directors and Executive Officers of the Company:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Lucio L. Co	Direct	Filipino	211,088,022	7.36%
Common	Susan P. Co	Direct	Filipino	178,242,585	6.21%
Common	Leonardo B. Dayao	Direct	Filipino	739,925	0.03%
Common	Ferdinand Vincent P. Co	Direct	Filipino	26,709,460	0.93%
Common	Pamela Justine P. Co	Direct	Filipino	26,709,460	0.93%
Common	Edgardo G. Lacson	Direct	Filipino	1	0.00%
Common	Marilyn V. Pardo	Direct	Filipino	1	0.00%

Common	Jack Huang	Direct	Filipino	5,000	0.00%
Common	Jaime Dela Rosa	Direct	Filipino	1	0.00%

- e. **Voting trust holders or 5% or more.** To the extent known to the Company, there is no person or group of persons holding more than 5% of the common shares by virtue of a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the Company in the Securities and Exchange Commission.
- f. **Changes in Control.** There have been no arrangements that have resulted in a change in control of the Company during the period covered by this report.
- g. **Foreign ownership as of March 2019:**

Local shares	2,183,868,364 (76.10%)
Foreign shares	685,813,042 (23.90%)

Item 5. Directors and Executive Officers

A. Board of Directors and Executive Officers.

There are nine (9) members of the Board of Directors, three (3) of whom are independent directors. Executive officers are elected annually by the Board of Directors.

On May 8, 2018, the following were elected members of the Board of Directors by the stockholders, and the officers were elected during the organizational meeting held on the same day.

Name	Age	Position
Lucio L. Co	64	Chairman
Susan P. Co	61	Vice Chairman
Ferdinand Vincent P. Co	37	President
Leonardo B. Dayao	75	Director
Pamela Justine P. Co	34	Director
Jack Huang	65	Director

The following persons were qualified and elected as Independent Directors of the Company:

Name	Age	Position
Marilyn V. Pardo	80	Independent Director
Edgardo G. Lacson	75	Independent Director
Jaime Dela Rosa	74	Independent Director

All directors were elected for a term of one (1) year and until their successors are elected.

C. Nominees for the election of Board of Directors.

On March 29, 2019, the following persons have been nominated for election to the Board as the Regular Directors and Independent Directors:

Lucio L. Co	Regular Director
Susan P. Co	Regular Director
Ferdinand Vincent P. Co	Regular Director
Leonardo B. Dayao	Regular Director
Pamela Justine P. Co	Regular Director
Jack Huang	Regular Director
Edgardo G. Lacson	Independent Director
Marilyn V. Pardo	Independent Director
Jaime Dela Rosa	Independent Director

The nominees were formally nominated to the Nomination Committee of the Board during its meeting held on March 29, 2019. On the same day, the same was approved by the Board of Directors of the Company.

Pursuant to the new Corporate Governance Code, the Company is required to have at least three (3) independent directors or at least 1/3 of the entire board membership, whichever is higher. The Company's incumbent independent directors are Mr. Edgardo G. Lacson, Mrs. Marilyn V. Pardo and Mr. Jaime Dela Rosa.

The nominees for independent directors were screened in accordance with the guidelines on the nominations of independent directors prescribed by SRC Sec. 38 and Rule 38.1 as amended and the new Manual on Corporate Governance prescribed by the Securities and Exchange Commission.

The final list of candidates for independent directors were nominated by Mr. Lucio L. Co and Mrs. Susan P. Co. They have no relation with the nominated independent directors nor are they employees or consultants of the Company or any of its affiliates.

The nominees for independent directors have always possessed the qualifications and none of the disqualifications of an independent director.

Only the nominees duly approved by the Nomination Committee are eligible for election as directors. No further nomination will be entertained or allowed during the stockholders' meeting. The nominees are expected to attend the Annual Stockholders' Meeting.

Attached as Annex "B" are the business experience for the past five (5) years of the incumbent directors, who are also nominees in the coming election of directors for 2019, and the executive officers.

D. Significant Employees.

All employees working together as one workforce is considered significant. Everyone is a member of a team working together to achieve the company's vision and mission.

E. Family Relationships.

The Company's Chairman, Mr. Lucio L. Co and Vice-Chairman, Ms. Susan P. Co are husband and wife and the parents of Mr. Ferdinand Vincent P. Co, President, and Ms. Pamela Justine P. Co, Director.

F. Involvement in Legal Proceedings.

As of record date, to the best of Company's knowledge, there are no legal proceedings against the directors and executive officers of the Company within the categories described in SRC Rule 12, Part IV paragraph (A) (4).

G. Certain Relationships and Related Transactions.

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

- The Company leases buildings from its related parties where some stores are located. The Company pays its related parties minimum fixed amount or is calculated in reference to fixed sum per square meter of area leased.
- The Company is a party to a trademark Licensing Agreement with Mr. Lucio Co, under which Mr. Co licenses the use of tradenames and trademarks related to the "Puregold" brand to Puregold Junior and other Company affiliates, including Puregold Finance, Inc., Puregold Duty Free-Subic, Inc., Puregold Realty Leasing and Management, Inc., Puregold Duty Free, Inc., and Puregold Properties, Inc. The Company pays Mr. Co royalty fees of 1/20 of 1% of the Company's net sales for the use of the tradenames and trademarks. This Licensing Agreement is for a period of 30 years and is exclusive. Consequently, during the term of the Licensing Agreement, Mr. Co cannot license the tradenames and trademarks under this agreement except to Licensed Affiliates. None of the tradenames and trademarks can also be transferred by Mr. Lucio Co.
- The Company has an agreement with Puregold Finance, Inc., pursuant to which the Company's employees are able to borrow money from Puregold Finance, Inc., and loan repayments are made by the Company through salary deductions, which the Company withholds to repay Puregold Finance, Inc. The Company is not a guarantor to any of these loans.

Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties. The terms under which the Company binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Company uses the terms and provisions it has in place for similar contracts with unrelated third parties as a benchmark for its agreements with related parties.

For other details on related party transactions, see attached Audited Financial Statements of the Company for the year 2018 (Annex "D").

H. Ownership Structure.

The Company owns 100% of Kareila Management Corporation (KMC), PPCI-Subic, Inc., Purepadala, Inc. and Entenso Equities, Inc. As of March 31, 2019:

- 21) KMC is the operator of S&R Membership Shopping. It has at present seventeen (17) warehouses located at the following locations: Taguig City; Muntinlupa City; Congressional, Quezon City; Paranaque City; Mandaue City; San Fernando and Dau, Pampanga; Davao; Mandaluyong City; Imus, Cavite; Sta. Rosa, Laguna; Cagayan De Oro; Ilo-Ilo City; Commonwealth, Quezon City; Cabanatuan City; and Lipa, Batangas. KMC also operates thirty-eight (38) quick service restaurants mostly located in Metro Manila.
- 22) Entenso Equities, Inc. is a wholly owned subsidiary of Puregold holding the following companies under its umbrella operating the following retail formats and brands:
 - (a) Ayagold Retailers, Inc. is a joint venture with Ayala Land. It opened mall-based supermarket in July 2015 called "Merkado" located at UP Town Center, Quezon City and Vertis, Centris Mall, Quezon City.
 - (b) San Roque Supermarkets which operates 19 supermarkets.
- 23) Purepadala, Inc. is another wholly-owned subsidiary of Puregold. It was incorporated in 2018 mainly to operate the remittance operation of the Company. At present, it has P50 million capital stock. The remittance operation of Puregold will be handled by the core group of Purepadala. It is expected that Purepadala will focus on the integration and operation of the remittance within the network and platform of Puregold.
- 24) PPCI Subic Inc. is operating one Puregold branch in Subic Bay, Olongapo City. It has 4,917.70 square meters in selling area.

I. Resignation of Directors.

No Director has resigned from his office or declined to stand for re-election to the Board since last stockholders' meeting due to any disagreements with the Company relative to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers.

A. Executive Compensation.

The table below sets the total annual compensation of the CEO, four most highly compensated executive officers and all other officers as a group unnamed for the year 2017, 2018 and the projected compensation for 2019:

Name and position	Year	Salary	Bonus/Other compensation
Lucio L. Co, Chairman			-
Susan P. Co, Vice-Chairman			-
Ferdinand Vincent P. Co, President			-
Antonio Delos Santos, Head-Operations			-
Teodoro Polinga, Comptroller			-
CEO and four most highly compensated executive officers	2017	15,855,129.00	-
	2018	15,870,417.00	
	2019	16,130,417.00	
All other officers as group unnamed	2017	105,887,063.00	-
	2018	122,246,637.00	
	2019	132,026,368.00	

B. Compensation of Directors.

1. Standard Arrangements.

All directors receive per diem of Fifty Thousand Pesos (₱50,000.00) per board meeting and Twenty Thousand Pesos (₱20,000.00) per committee meeting. They receive no salary or compensation from the Company other than the directors' fees when they attend board or committee meetings.

2. Other Arrangements.

The Company has no other arrangement related to the remuneration of its existing directors and officers aside from the compensation received as above stated.

C) Employment Contracts and Termination of Employment and Change in Control Arrangements.

Executive officers are subject to existing Company's policies, rules, regulations and labor laws. Their employment may be terminated for just or authorized caused as provided by the Labor Code of the Philippines.

The executive officers are entitled to receive retirement benefits in accordance with the terms and conditions of the Company's retirement plan and other benefits prescribed by labor laws.

There is no arrangement with any executive officer to receive any compensation or benefit in case of change-in-control of the Company or change in the officer's responsibilities following such change-in-control.

Item 7. Independent Public Accountants

The External Auditor of the Company is R.G Manabat & Co. (KPMG). The partner-in-charge is Mr. Dindo Marco Dioso. The Company has engaged R.G Manabat & Co. since 2007 and there has been no disagreements on accounting and financial disclosure.

The Company complies with SRC Rule 68, (3), (b), (iv) where it states that changes should be made in assignment of external auditor or assigned partner at least every five

(5) years. The re-appointment of R.G. Manabat & Co. as the Company's external auditor for 2018 is pursuant to the recommendation made by the Audit Committee.

Representatives of R.G. Manabat & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate inquiry from stockholders regarding the 2018 audited financial statements, if any. They will have the opportunity to make statement if they so desire.

Audit and Non-Audit Related Fees

The Company and subsidiaries paid R.G. Manabat & Co. the total amount of P4,800,000.00 for services rendered in 2017 and P4,700,000.00 for services rendered in 2018. The Company did not engage R.G. Manabat & Co. in any non-audit services.

It has been the policy of the Company, based on its Audit Committee Charter, that the Audit Committee reviews the reports of the external auditors including the audit and non-audit services rendered and fees collected by them.

Item 8. Compensation Plans

There is no other type of compensation plan as of record date. For the Annual Stockholders' Meeting, there will be no compensation plan, cash or non-cash, that will be taken up.

J. Issuance and Exchange of Securities

Item 9. Authorization or Issuance of Securities other than for Exchange

There are no actions to be taken with respect to authorization or issuance of securities otherwise than for Exchange.

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The Audited Financial Statements and schedules as of December 31, 2018 meeting the requirements of SRC Rule 68, as amended and 68.1, the Statement of Management Responsibility and the Schedules and discussion required under Part IV or Rule 68 are hereto attached as Annex "D".

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken up in relation to mergers, consolidations, acquisition or similar matters.

Item 13. Acquisition or Disposition of Property

No action is to be taken up in relation to acquisition or disposition of any property.

Item 14. Restatement of Accounts

The accounting policies set out in the attached audited financial statements have been applied consistently to all the years presented.

K. Other Matters**Item 15. Action with Respect to Reports:**

The following matters will be submitted to the stockholders for their approval and/or ratification:

1. Proof of Notice, Existence of Quorum and Call to order
2. Approval of Minutes of the 2018 Annual Stockholders' Meeting and Ratification of all acts and resolutions of the Board of Directors and Management from the date of the previous Stockholders' Meeting
3. Annual Report
4. Election of Regular and Independent Directors
5. Appointment of External Auditor
6. Approval of the listing of 123,256,627 common shares
7. Approval of the increase of authorized capital stock to P5 billion
8. Other Matters
9. Adjournment

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter, which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-Laws or other Documents

The current capital structure of Puregold are as follows:

Authorized Capital Stock:	3,000,000,000
Issued Shares:	2,889,662,877
Outstanding Capital Stock:	2,869,681,406
Treasury Shares:	19,981,471
Listed Shares:	2,766,406,250
Unissued Shares:	110,337,123

Considering the limited number of unissued shares of the Company after the recent top-up placement in January 16, 2019, wherein the Company issued 104,300,000 new shares, the Board of Directors resolved to increase the authorized capital stock from P3 billion to P5 billion. The increase will allow the company to offer and sell more shares in the future if it needs to raise additional funds.

After the stockholders' approval of the matters herein stated, the capital structure of Puregold Price Club, Inc. will be as follows:

Authorized Capital Stock:	5,000,000,000
Issued Shares:	2,889,662,877
Outstanding Capital Stock:	2,869,681,406
Treasury Shares:	19,981,471
Listed Shares:	2,889,662,877
Unissued Shares:	2,110,337,123

Item 18. Other Proposed Action

Other than enumerated in Item 15 above, there are no other proposed action to be taken during the stockholders' meeting.

Item 19. Voting Procedures

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the affirmative majority vote of stockholders present in person or by proxy and entitled to vote thereat, provided a quorum is present.

For election of directors, a shareholder may vote such number of shares for as many persons as there are for directors to be elected. The shareholder may also cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares owned or the shareholder may distribute them on the same principle among as many candidates as they see fit.

Voting will be by poll. Each shareholder may cast his votes by indicating his votes on the ballot that will be given to him upon his registration in the stockholders meeting or by sending the proxy forms specifying his votes. Such stockholder may or may not cumulate his votes. The counting thereof shall be supervised by the transfer agent BDO Trust and Investments Group.

ITEM 20. COMPLIANCE WITH THE REQUIREMENTS OF SECTION 49 OF THE REVISED CORPORATION CODE

In compliance with Section 49 of the Revised Corporation Code of the Philippines, the Company undertakes to present to the stockholders, during the May 14, 2019 annual meeting, the following items:

- a. Description of the voting and the vote tabulation procedures used in the previous meeting;
- b. Description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given;
- c. The matters discussed and resolutions reached;
- d. A record of the voting results for each agenda item;
- e. A list of the directors, officers and stockholders who attended the meeting;
- f. Material information on the current stockholders, and their voting rights;

- g. Appraisals and performances report for the board and the criteria and procedure for assessment; and
- h. Directors disclosures on self-dealing and related party transactions.

However, during the stockholders meeting held on May 8, 2018, the Company complied with the following items, as follows:

Description of the voting and voting tabulation procedures used in previous meeting – the voting and the voting tabulation procedures were fully explained in the preliminary and definitive statements sent by the Company to all stockholders on April 6, 2018 and April 13, 2018.

Description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given – During the stockholders' meeting, every after a motion for approval and before the Chairman called the motion as approved, he asked for any objection or comment from the stockholders, and after the presentation of President's Report, the Chairman also opened the floor for discussion wherein stockholders were encouraged to ask questions. All questions asked and answers given were duly recorded in the minutes of the meeting.

The matters discussed and resolutions reached – All motions approved were read out loud in the stockholders' meeting and a form SEC 17-C showing results of the stockholders' meeting was filed in the Securities and Exchange Commission and posted in the website of the Philippine Stock Exchange on May 9, 2018.

A record of the voting results for each item agenda – In a form SEC 17-C submitted to both the Securities and Exchange Commission and the Philippine Stock Exchange, a detailed record of voting results for each item agenda was disclosed by the Company on May 9, 2018.

A list of directors who attended the meeting - Before the start of the stockholders meeting, each director present was called in the stage. On May 8, 2018, all directors were present in the stockholders' meeting of the Company.

PART II: OPERATIONAL AND FINANCIAL INFORMATION

ITEM 21. MARKET FOR ISSUER COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

The following table shows the high and low prices of the Company's shares in the Philippine Stock Exchange for the year 2017 and 2018, respectively.

2018	High	Low
January	54.00	49.25
February	53.00	49.00
March	53.95	52.00
April	53.00	47.00
May	47.9	45.85
June	48.35	46.6
July	47.00	45.2
August	47.1	44.00
September	45.85	44.00
October	44.5	40.20
November	43.05	41.8
December	43.3	42.2

2017	High	Low
January	44.25	38.85
February	46.30	43.00
March	46.10	43.35
April	44.15	41.70
May	43.70	42.55
June	45.80	44.00
July	47.30	44.95
August	48.30	47.00
September	53.50	48.55
October	54.90	50.85
November	52.00	47.30
December	51.00	48.00

The market capitalization of the Company's common shares as of December 31, 2018 based on the closing price of P43.00 per share, was approximately P118 billion. There are approximately 36 registered holders of common shares owning at least 1 board lot per 100 shares as of December 31, 2018.

The following are the top 20 registered holders of the Company's securities, number of shares and percentage to the outstanding shares as of December 31, 2018:

Cosco Capital, Inc.	1,410,867,188	51%
The HSBC	393,398,423	14%
Lucio L. Co	211,088,022	7%
Susan P. Co	178,242,585	6%
Citibank N.A	164,745,206	5%

Deutsche Bank Manila-Clients A/C	157,211,680	5%
Deutsche Regis Partners, Inc.	143,343,587	5%
Government Service Insurance System	50,739,302	1%
Ferdinand Vincent P. Co	26,709,460	1%
Pamela Justine P. Co	26,709,460	1%
BDO-Trust Banking Group	26,583,303	1%
Standard Chartered Bank	25,123,530	1%
MBTC – Trust Banking Group	11,103,169	0%
Social Security System	10,592,920	0%
Camille Clarisse P. Co	8,155,288	0%
COL Financial Group, Inc.	7,713,966	0%
RCBC Trust & Investment Division	5,464,580	0%
Wealth Securities, Inc.	5,327,290	0%
SB Equities, Inc.	4,065,268	0%
Ansaldo, Godinez & Co., Inc.	3,824,361	0%
PNB Trust Banking Group	3,390,310	0%

Dividend. From 2012 to 2019, the Company declared the following dividends:

Dividend and Declaration Date	Record Date	Payment Date
P 0.20 per share / May 8, 2012	May 22, 2012	June 5, 2012
P 0.20 per share / December 27, 2012	January 14, 2013	February 7, 2013
P 0.30 per share / December 16, 2013	January 6, 2014	January 30, 2014
P 0.30 per share / December 18, 2014	January 12, 2015	February 5, 2015
P 0.30 per share / December 18, 2015	January 8, 2016	January 18, 2016
P 0.30 per share / December 22, 2016	January 12, 2017	January 20, 2017
P 0.40 per share / December 15, 2017	January 2, 2018	January 26, 2018
P 0.40 per share / February 1, 2019	February 15, 2019	March 1, 2019

Securities Sold. The Company conducted a P4,693,500,000 billion top-up placement of up to 104 million common shares at a price of P45.00 per share. PGOLD completed the placement on January 16, 2019.

Use of proceeds are for general corporate purposes, capital expenditure, and potential acquisitions. The sale shares represent approximately 3.8% of PGOLD's total issued and outstanding stock.

The deal was done via an overnight book-built offering with Mr. Lucio L. Co as the sole selling shareholder. The shares sold by Mr. Co represent part of his indirect holdings of PGOLD lodged with Deutsche Regis Partners, Inc. Mr. Co also signed a Subscription Agreement to subscribe to the same number of PGOLD shares and price per share. The placement price is equivalent to a 6.8% discount from its last close of P48.30% as at 16 January 2019.

Deutsche Bank AG acted as the placing agent for the transaction.

ITEM 22 CORPORATE GOVERNANCE

As part of the continuing education of the directors and officers of the Company, a Corporate Governance seminar was held on February 23, 2018 at the Acacia Hotel, Alabang, Muntinlupa City from 1:00 pm to 5:00 pm. The seminar was conducted by the Sycip Gorres Velayo & Co., an accredited corporate governance provider of the SEC.

For the year 2019, another Corporate Governance Seminar will be held on May 14, 2019 in Acacia Hotel, Alabang, Muntinlupa City from 1:00 pm to 5:00 pm by the same provider.

Part III - Information Required in a Proxy Form

Item 23. Instructions. The Proxy Form, must be properly signed, dated and returned by the stockholder on or before May 10, 2019. It is not required to be notarized. Validation of proxies will be held at the Company's principal office on May 10, 2018 at 5:00 pm. For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy.

Validated proxies will be voted at the Meeting in accordance with the authority and/or instructions of the stockholder expressed therein. Proxies which are not properly signed and dated, or which are received late, or which do not have an accompanying secretary's certificate (for corporate shareholders) shall not be voted at the Meeting.

Subject to a stockholder's right to revoke his own proxy as stated in Item 2 below, the proxy given by a stockholder shall be voted by the Company's Chairman of the Board, Mr. Lucio L. Co, or President, Mr. Ferdinand Vincent P. Co, with full power of substitution and delegation, in accordance with the authorization specifically granted by the stockholder.

If no specific authority and/or instruction is made in the Proxy Form, the shares of the stockholder will be voted FOR ALL the nominee directors named in the Proxy Form and FOR THE APPROVAL of the matters stated in the Proxy Form and all other matters for which stockholders' approval may be sought in the Meeting and at any postponements or adjournments thereof.

Item 24. Revocability of Proxy. A stockholder giving a proxy has the power to revoke it at any time before the right granted under and by virtue of such proxy is exercised, either: (a) by submitting a sworn statement revoking such proxy on or before May 10, 2019; or, (b) by appearing at the Meeting in person and expressing his intention to vote in person.

Part IV - Signature Page

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Manila on April 16, 2019.

Puregold Price Club, Inc.

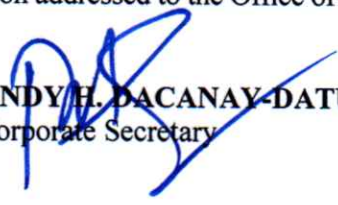
By:



MS. BABY GERLIE I. SACRO
Corporate Secretary

UNDERTAKING

The company shall provide without charge to each stockholder, a copy of its Annual Report or SEC Form 17-A and Information Statement or SEC FORM 20-IS upon written request of such person addressed to the Office of the Corporate Secretary.



ATTY. CANDY H. DACANAY-DATUON
Assistant Corporate Secretary

Annex "A" - Proxy Form

Date: _____

The undersigned hereby appoints the Chairman and/or the President of Puregold Price Club, Inc., with full power of substitution and delegation, as proxy to vote all the shares of the undersigned at the Annual Stockholders' Meeting of PUREGOLD PRICE CLUB, INC. to be held on May 14, 2019, 9:00 AM at the Acacia Hotel, Alabang, Muntinlupa City and at any postponements or adjournments thereof.

The proxy shall vote subject to the instructions indicated below and the proxy is authorized to vote in his discretion on other business as may properly come at the Meeting and any postponements or adjournment thereof. Where no specific authority is clearly indicated below, the proxy shall vote and shall be deemed authorized to vote FOR THE APPROVAL OF ALL THE CORPORATE MATTERS listed below, and FOR ALL THE NOMINATED DIRECTORS named below.

		Yes	No	Abstain
1	Proof of Notice, Existence of Quorum and Call to order			
2	Approval of Minutes of previous stockholders meeting and ratification of all acts and resolutions approved by the Board of Directors and management from the date of the previous meeting			
3	Annual Report			
4.1	Election of Lucio L. Co as Director			
4.2	Election of Susan P. Co as Director			
4.3	Election of Ferdinand Vincent P. Co as Director			
4.4	Election of Leonardo B. Dayao as Director			
4.5	Election of Pamela Justine P. Co as Director			
4.6	Election of Jack Huang as Director			
4.7	Election of Marilyn V. Pardo as Independent Director			
4.8	Election of Edgardo G. Lacson as Independent Director			
4.9	Election of Jaime Dela Rosa as Independent Director			
5	Re-appointment of External Auditor			
6	Listing of 123,256,627 common shares			
7	Increase of authorized capital stock to P5 billion			
8	Other Matters			
9	Adjournment			

Name of Stockholder

Name & Signature of Authorized Representative

For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the appointment of the proxy and the authority of the person signing the proxy.

BUSINESS PROFILE OF DIRECTORS AND OFFICERS

MR. LUCIO L. CO, 64 years old, Filipino Chairman of the Board

Mr. Co has been a Director and Chairman of the Company since it was incorporated in September 1998.

Mr. Co currently holds the following positions in other publicly-listed companies: Chairman of Cosco Capital, Inc., Chairman and President of Da Vinci Capital Holdings, Inc.; and Director of Philippine Bank of Communications.

Mr. Co is also the Chairman of the following privately-owned companies: Alcorn Petroleum & Minerals Corporation, Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Entenso Equities Incorporated, Invescap Incorporated, NE Pacific Shopping Centers Corporation, P.G. Holdings, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc.,

He is also a Director of the following privately-owned companies: Catuiran Hydropower Corporation, Karayan Hydropower Corporation, Kareila Management Corp., LCCK & Sons Realty Corporation, League One Finance and Leasing Corporation, Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Pamana Water Corporation, PPCI Subic, Inc., Patagonia Holdings Corp., Premier Wine & Spirits, Inc., S&R Pizza (Harbor Point), Inc., and S&R Pizza, Inc. Tower 6789 Corporation (formerly: Alphaland Makati Tower, Inc.)

He is a member of the Board of Trustees of Adamson University and Luis Co Chi Kiat Foundation, Inc.

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

MRS. SUSAN P. CO, 61 years old, Filipino Vice-Chairman

Mrs. Co has been a Director, Vice-Chairman of Puregold Price Club, Inc. since it was incorporated in September 1998.

Mrs. Co currently holds the following positions in other publicly-listed companies: Vice-Chairman and Treasurer of Cosco Capital, Inc. and Director of Philippine Bank of Communications.

She is currently the Chairman of Tower 6789 Corporation (Alphaland Makati Tower, Inc.) and Director of the following private companies: Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Kareila Management Corp., KMC Realty Corp., Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Montosco, Inc., Nation Realty, Inc., NE Pacific Shopping Center Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PPCI Subic Inc., Premier Wines and Spirits, Inc. Puregold Duty Free (Subic), Inc., Puregold

Duty Free, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., San Jose City I Power Corp., Union Energy Corporation and Union Equities, Inc.

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

***MR. FERDINAND VINCENT P. CO, 37 years old, Filipino
President***

Mr. Co has been a Director of the Company since 2003. He was first elected President of the Company on May 12, 2015.

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

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

***MR. LEONARDO B. DAYAO, 75 years old, Filipino
Director***

Mr. Dayao was the President of the Company from 2005 to 2014. He was first elected as one of the members of the Board in 1998.

Mr. Dayao currently holds the following positions in other publicly-listed companies: President of Cosco Capital, Inc. and Vice-Chairman of the Philippine Bank of Communications.

He also holds the following positions in private companies: Chairman of Catuiran Hydropower Corporation, Fertuna Holdings Corp., Kareila Management Corporation, League One Finance and Leasing Corporation, PSMT Philippines, Inc., PG Lawson Company, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc.; President of Alcorn Petroleum Minerals Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Union Energy Corporation; Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Properties, Inc., Union Equities, Inc., VFC Land Resources, Inc.; and Director of Canaria Holdings Corporation Entenso Equities Incorporated, Karayan Hydropower Corporation, and Puregold Realty Leasing & Management, Inc.

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

***MS. PAMELA JUSTINE P. CO, 34 years old, Filipino
Director***

Ms. Co has been a Director of the Company since 2003.

Ms. Pamela Co is currently holding the following positions in privately-owned companies: Director of Alerce Holdings Corp., Bellagio Holdings, Inc., Blue Ocean Holding, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Invesco Company, Inc., Kareila Management Corporation, KMC Realty Corporation, League One, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., P.G. Holdings, Inc., Patagonia Holdings Corp., PSMT Philippines, Inc., Premier Wine & Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Properties, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., SPC Resources, Inc., Union Energy Corporation, Union Equities, Inc., and VFC Land Resources, Inc.

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

***MR. JACK HUANG, 64 years old, Filipino,
Director***

Mr. Huang is currently the Operations Manager and Vice-President for Visayas & Mindanao area of Abacus Securities Corporation. He is also a member of the Board of Trustees of Sacred Heart School – Ateneo de Cebu.

Mr. Huang started in Abacus in 1992. Before working with Abacus, Mr. Huang worked in Ayala Investment and Development Corporation from 1975 to 1983. He also worked in the Bank of the Philippine Islands from 1983 to 1990.

He also serves as Director of Cebu Business Continuous Forms and Richmedia Network, Inc., both privately-owned companies.

Mr. Huang graduated from Ateneo De Manila University in 1975 with a degree of Bachelor of Arts in Economics.

***MS. MARILYN V. PARDO, 80 years old, Filipino
Independent Director***

Mrs. Pardo was first elected as an Independent Director of the Company on October 5, 2010.

Mrs. Pardo is presently the Chairman and Chief Executive Officer of Asian Holdings Corporation, Downtown Properties, Inc., Casa Catalina Corporation and Catalina Commercial Properties, Inc.

Mrs. Pardo obtained her Bachelor of Liberal Arts and an Associate Degree in Business from Assumption College in 1960.

***MR. EDGARDO G. LACSON, 75 years old, Filipino
Independent Director***

Mr. Lacson was first elected as an Independent Director of the Company on October 5, 2010.

Mr. Lacson is currently holding the following positions in privately-owned companies: Metrostore Corporation, EML Realty Corp., and the Employers Confederation of the Philippines; President of MIS Maritime Corp., Safe Seas Shipping Agency Co., Inc., Member of Management Association of the Philippine, member of the Board of Trustees of De La Salle, former Trustee of Home Development Mutual Fund. Past President and Honorary Chair of Philippine Chamber of Commerce and Industry.

He served as a Director of the Philippine Stock Exchange representing Other market participants, director/treasurer of Link Edge and Independent Director of Global Ferro Nickel, Inc.

Mr. Lacson graduated from the De La Salle University with a Degree of Bachelor of Science in Commerce.

***MR. JAIME DELA ROSA, 74 years old, Filipino
Independent Director***

He is a former Director of Alcorn Gold Resources Corporation, PNCC – Skyway Corporation of the Philippines, and Development Bank of the Philippines. He also used to be the 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 of Citibank.

He used to be an Associate Executive Trustee of the Asset Privatization Trust and former Director of Coco Life Insurance and Coco Life General Insurance.

Mr. Dela Rosa graduated from the Far Eastern University with a degree of Bachelor of Science, major in Accounting in 1964. He finished the Program on Global Financial Systems in 2002 at the John F. Kennedy School of Government, Harvard University.

***MS. BABY GERLIE SACRO, 41 years old, Filipino
Corporate Secretary***

Ms. Sacro has been the Corporate Secretary of the Company since 2000. Prior to joining the Company, she was employed by Plaza Fair, Inc. in the Compensation and Benefit Section of the Human Resources Department.

Ms. Sacro received a Bachelor of Science degree in Entrepreneurial Management as well as completing a post-baccalaureate course in Management from the Polytechnic University of the Philippines.

ATTY. CANDY H. DACANAY-DATUON, 40 years old, Filipino
Assistant Corporate Secretary and Compliance Officer

Atty. Dacanay-Datuon has been the Compliance Officer and Assistant Corporate Secretary of the Company since November 25, 2011. Ms. Dacanay-Datuon is a lawyer and a member of the Philippine Bar since 2004. On the same year, she was employed as counsel for the Company. She is currently the Corporate Secretary of Ayagold Retailers, Inc., Da Vinci Capital Holdings, Inc., Kareila Management Corporation, League One Finance and Leasing Corporation, S&R Pizza (Harbor Point), Inc. and S&R Pizza, Inc.

She received a Bachelor of Arts, Cum Laude, in Political Science from the Colegio de San Juan de Letran and a Bachelor of Laws Degree from the University of Santo Tomas.

MR. TEODORO A. POLINGA, 60 years old, Filipino
Comptroller

Mr. Polinga has been the Company's Comptroller since March 2015.

He is a founding member of Alchem Energy Limited and Summit Minerals, PTE. LTD. He used to work as Chief Finance Officer of Phoenix Petroleum Philippines from 2007 to 2008; Deputy CFO for PT Citramegah Karya Gemilang – Libya branch from 2008 to 2010; Senior Vice President for Finance of Citadel Commercial Group, 2001 to 2003; Senior Vice-President for Business Development of Citadel Group, 2003 to 2005; Vice-President, CFO and Director of Unicol Management Services, 1989 to 2001. Mr. Polinga is a Certified Public Accountant.

ATTY. ANDRES S. SANTOS, 68 years old, Filipino
Legal Counsel

Atty. Santos has been with the Company since February 01, 2005.

Prior to joining the Company, he worked as a clerk at Jose S. Santos Jr. Law Office (1971-1978); Manager of the Legal Department at BLTB Company (1986-1993); and Manager of the Legal Department at Fontana Development Corporation (2001-2005).

Atty. Santos graduated with a Bachelor of Arts from Arellano University and received his Bachelor of Laws degree at the University of the East.

MRS. DENISE MARIA D. CAROLINO, 55 years old, Filipino
Vice President for Administration

Mrs. Carolino has been the Vice-President for Administration of the Company since February 01, 1995.

Prior to that, she worked at Uniwide Sales, Inc. as an Assistant Pricing Supervisor under their Supermarket Department and later on became the Purchasing Manager (1987 to 1992).

Mrs. Carolino graduated from the University of Santo Tomas with a degree of Bachelor of Science in Architecture.

***MR. ANTONIO E. DELOS SANTOS II, 46 years old, Filipino
Operations Head***

Mr. Delos Santos has been with the Company since October 1, 2012.

Prior to joining the Company, he worked at Right Good Phils., Inc. as a Management Trainee (1993-1994), Distributor Sales Supervisor (1994-1995), and Operations Manager (1995-1999); Key Account Manager under the Customer Business Development Dept. at Procter & Gamble Philippines, Inc. (1999-2000); P&G Team Leader at Right Good Phils., Inc. – P&G Distributor (2000-2003); Managing Director of Right Good Phils., Inc. – P&G Distributor, Solutions Center, Inc. – Globe Telecom Distributor and Go, Grow and Glow Foods Inc. – Globe Telecom Distributor (2003-2005); National Sales Manager/Multi-Functional Selling Team Leader at Colgate Palmolive Philippines, Inc. (2005-2007) and eventually their National Sales Training (2007-2012).

Mr. Delos Santos graduated from Ateneo de Manila University with a degree of Bachelor of Arts in Economics.

***MS. MARIA TERESA S. LONTOC, 50 years old, Filipino
Internal Auditor***

Ms. Lontoc has 15 years of experience in wholesale and retail operation audit including business processes standardization, system and process efficiencies and improvements. She worked with Dairy Farm International based in Singapore and Malaysia from 2011 to 2013 as Senior Business Consultant and Pilipinas Makro from 2001 to 2011 as Systems and Audit Manager.

She first joined the Lucio Co Group of Companies in the year 2013 as Senior Manager for Executive Office.

She is a graduate of University of Batangas with a Bachelor of Science in Commerce, major in Accounting. She completed business process management training in Singapore in 2012.

***MR. JOSEPH U. SY, 55 years old, Filipino
Regional Manager***

Mr. Sy has been with the Company since June 01, 1997.

He previously worked as an Accountant at Isetann Department Store, Universal Steel Smelting (1986) and Manhattan (1986-1996).

He graduated from Philippine School of Business Administration with a degree of Bachelor of Science in Business Administration Major in Accounting.

***MS. MARIA TERESA B. PUNZALAN, 43 years old, Filipino
Regional Manager***

Ms. Punzalan has been with the Company since October 16, 2002.

Prior to joining the Company, she worked as a Store Supervisor at Binggo! Convenient Store, Jollimart Phils. Corporation (1998-2001) and Supermarket Department Supervisor at Isetann Supermarket and Department Store Inc. (2001-2001).

Ms. Punzalan graduated from Polytechnic University of the Philippines with a degree of Bachelor of Science in Industrial Engineering.

***MR. ROBERT KELVIN Y. KUAN, 42 years old, Filipino
Regional Manager***

Mr. Kuan has been with the Company since October 04, 2006.

Prior to joining the Company, he worked as the Assistant Brand Manager of Nestle Philippines, Inc. (1997-1999) and Chief Operating Officer at Creative Dining Inc. (2000-2006).

Mr. Kuan graduated from Ateneo de Manila University with a degree of Bachelor of Science in Management and received his master's degree in Entrepreneurship at the Asian Institute of Management.

***MR. EDGARDO A. GAYAMO, 40 years old, Filipino
Regional Manager***

Mr. Gayamo has been with the Company since September 17, 2004.

Prior to joining the Company, he worked as a Sales Clerk at Philippine Seven Corporation (1999-2000, 2001-2002); Bagger at SM Supermarket under Super Value Inc. (2000-2001); and Bagger at Makati Supermarket Alabang (2003).

Mr. Gayamo graduated from Asian Institute of Maritime Studies with a Bachelor of Science degree in Marine Transportation.

***MR. SHERWIN C. HAU, 43 years old, Filipino
Regional Manager***

Mr. Hau has been with the Company since January 01, 1999.

He graduated from the University of Santo Tomas with a degree of Bachelor of Science in Industrial Engineering.

MR. ANGELO T. KAW, 33 years old, Filipino

Regional Manager

Mr. Kaw has been with the company since May 29, 2006.

He graduated from Chaing Kai Shek College with a degree of Bachelor of Science in Commerce Major in Computer Data Management.

***MR. EDISON T. ANGGALA, 42 years old, Filipino
Regional Manager***

Mr. Anggala has been with the Company since March 01, 2001.

He previously worked as a Sales Assistant at Solkan Marketing and Internal Auditor at Fortune Tobacco Corporation (1998-2001).

Mr. Anggala graduated from the University of Santo Tomas with a degree of Bachelor of Science in Industrial Engineering.

***MR. RENATO T. BECHAYDA, 51 years old, Filipino
Regional Manager***

Mr. Bechayda has been with the Company since January 06, 1999.

He used to work as a Production Staff at Insular Stell Works (1984-1988); Production Supervisor at Sherer Jardin Plants (1992-1996); and Technical Engineer at Technopaq Inc. (1996-1999).

Mr. Bechayda graduated from International Electronics and Technical Institute with a degree of Bachelor of Science in Computer Management.

***MS. RITA BIANCA C. TACORDA, 36 years old, Filipino
Regional Manager***

Ms. Tacorda has been with the Company since October 18, 2004.

She used to work as an Administrative Trainee at Miyoshi Tech. Philippines Calamba (April 2001 – July 2001) and Sales Audit Staff at Big R Supercenter Inc. – Sta. Rosa Branch (June 2004 – October 2004)

Ms. Tacorda got her Bachelor of Science degree in Accountancy at the Philippine School of Business Administration.

***MS. JOSEPHINE C. DELA PEÑA, 40 years old, Filipino
Regional Manager***

Ms. Dela Peña has been with the Company since October 3, 2005.

She used to work as a Secretary of the Operations Manager at Mariwasa Ceramic Inc. (1997-1998); Executive Assistant of the General Manager & CMO Officer at Right

Goods Philippines, Inc. (1998-2003); and Administrative Officer at G3 Food Incorporated (2003-2005).

Ms. Dela Peña graduated from her course in Computer Systems and Business Management from International Electronics and Technical Institute.

***MS. SEVERINA L. DE PANO, 44 years old, Filipino
Regional Manager***

Ms. De Pano has been with the Company since September 18, 2005.

Prior to that she worked at Uniwide Warehouse Club, Inc as a Receiving, Sucat Paranaque Branch (1992-1996); Area-in-Charge, Wholesale Department, Cabuyao Laguna Branch (1996-1997); Store Officer-in-Charge, Los Banos Laguna Branch (1997); Supervisor, Fashion and Personal Care, Cabuyao Laguna Branch (1998-2004) and Store Assistant Manager Trainee, Cabuyao Laguna Branch (2005).

She received her 2-year diploma course of Computer Programming at Central College of the Philippines

***MR. JOHN MARSON T. HAO, 36 years old, Filipino
Vice President, Investor Relations***

Mr. Hao has been with the Company since December 15, 2014. He used to work as a Director for Investor Relations of Megaworld Corporation from 2004 to 2014.

Mr. Hao graduated from Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering.

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 2018 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:

	2018	2017	2016
Current Ratio ⁽¹⁾	2.07:1	1.62:1	1.73:1
Asset to Equity Ratio ⁽²⁾	1.43:1	1.49:1	1.51:1
Debt to Equity Ratio ⁽³⁾	0.43:1	0.49:1	0.51:1
Debt to Total Assets ⁽⁴⁾	0.30:1	0.33:1	0.34:1
Book Value per Share ⁽⁵⁾	P19.76	P17.34	P15.61

	2018	2017	2016
Earnings per Share ⁽⁶⁾	P2.36	P2.11	P2.00
Price Earnings Ratio ⁽⁷⁾	18.24x	23.68x	19.52x
Return on Assets ⁽⁸⁾	8.7%	8.5%	8.9%
Return on Equity ⁽⁹⁾	12.7%	12.8%	13.6%

- (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, 2018, the Group earned a consolidated net income of P6,520 million at 4.6% net margin and an increase of 11.6% from P5,840 million at 4.7% net margin in 2017. Excluding the one-time gain on sale of investment in joint venture of P363 million, core consolidated net income for the year ended December 31, 2018 amounted to P6,143 million at 4.4% net margin and an increase of 2.8%. 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 both the base stores as well as new stores established in 2018.

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

(In millions)	2018			2017			2016	
		% to Sales	% Change		% to Sales	% Change		% to Sales
Net Sales	P140,918	100.0%	13.2%	P124,491	100.0%	10.6%	P112,589	100.0%
Cost of Sales	117,078	83.1%	13.7%	103,015	82.7%	10.5%	93,214	82.8%
Gross Profit	23,840	16.9%	11.0%	21,476	17.3%	10.8%	19,376	17.2%
Other Operating Income	2,941	2.1%	9.2%	2,692	2.2%	10.8%	2,429	2.2%
Gross Income	26,781	19.0%	10.8%	24,168	19.4%	10.8%	21,805	19.4%
Operating Expenses	17,840	12.7%	15.0%	15,516	12.5%	13.2%	13,707	12.2%
Operating Income	8,941	6.3%	3.3%	8,652	7.0%	6.9%	8,097	7.2%
Other income(expenses)	204	0.1%	-176.0%	(268)	-0.2%	49.3%	(101)	-0.1%
Net Income before tax	9,145	6.5%	9.1%	8,384	6.7%	5.9%	7,917	7.0%
Income tax expense	2,625	1.9%	3.2%	2,544	2.0%	6.4%	2,391	2.1%
Net Income after tax	P6,520	4.6%	11.6%	P5,840	4.7%	5.7%	P5,526	4.9%

Comparative years 2018 and 2017

Net Sales

For the year ended December 31, 2018, the Group posted a consolidated net sales of P140,918 million for an increase of P16,427 million or a growth of 13.2% compared to P124,491 million in the same period of 2017. New organic stores put up in 2017 were fully operating in 2018 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the year.

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

	PGOLD	S&R
Net Sales	5.8%	8.0%
Net Ticket	8.1%	7.8%
Traffic	-2.1%	0.2%

Gross Profit

For the year ended December 31, 2018, the Group realized an increase of 11.0% in consolidated gross profit from P21,476 million in 2017 at 17.3% margin to P23,840 million at 16.9% margin in the same period of 2018, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income increased by P249 million or 9.2% from P2,692 million in 2017 to P2,941 million in the 2018. This is attributable to increase in concess income and membership income driven mainly by full operation of 2017 new stores and contribution from new stores opened in 2018. In 2017, S&R tied up with Unioil and offered a P3.00 discount on gasoline and P2.00 off on diesel per liter, to all members using their issued membership cards with magnetic stripes. In March 14 to 18 and September 26 to 30, 2018, S&R held its 5-day sale Members' Treat.

Operating Expenses

Operating expenses increased by P2,325 million or 15.0% from P15,516 million in the year ended December 31, 2017 to P17,840 million in 2018. The incremental operating expenses were mainly attributable to manpower costs, as well as rent expenses covering new lease contracts, depreciation expense and taxes, principally related to the establishment and operation of new organic stores.

Other Expense - net

Other income -net amounted to P204 million for year ended December 31, 2018 due to recognition of a one-time gain on sale of investment in joint venture amounting to P363 million. Interest income increased in the year ended December 2018 due to higher placement in short-term investment as compared in 2017.

Net Income

For the year ended December 31, 2018, the Group earned a consolidated net income of P6,520 million at 4.6% net margin and an increase of 11.6% from P5,840 million at 4.7% net margin in the same period of 2017. Excluding the one-time gain on sale of investment in joint venture of P363 million, core consolidated net income for the year ended December 31, 2018 amounted to P6,143 million at 4.4% net margin and an increase of 2.8%. 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 both the base stores as well as new stores established in 2018.

Comparative years 2017 and 2016

Net Sales

For the year ended December 31, 2017, the Group posted a consolidated net sales of P124,491 million for an increase of P11,902 million or a growth of 10.6% compared to P112,589 million in the same period of 2016. New stores put up in 2016 were fully operating in 2017 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores/outlets put up as well as acquisitions made during the same period. Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	4.4%	6.5%
Net Ticket	3.9%	5.3%
Traffic	0.5%	1.2%

Gross Profit

For the year ended December 31, 2017, the Group realized an increase of 10.8% in consolidated gross profit from P19,376 million in 2016 to P21,476 million in 2017 of the same period, driven by strong sales growth from new and old stores and consistent and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. Consolidated gross profit margin was posted at 17.3% and 17.2% for the years ended December 31, 2017 and 2016, respectively.

Other Operating Income

Other operating income increased by P263 million or 10.8% from P2,429 million in the year ended December 31, 2016 to P2,692 million in 2017 of the same period. This is attributable to increase in concession income, membership income and other supplier supports driven mainly by the full operation of new stores opened in 2016 and contribution from new stores opened in 2017.

Operating Expenses

Operating expenses increased by P1,808 million or 13.2% from P13,707 million in the year ended December 31, 2016 to P15,516 million in 2017 of the same period. The increase was mainly attributable to manpower cost of the Group's new organic stores, as well as rent expenses relative to new lease contracts, supplies expense and taxes, all related to full year operation of acquired stores and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P268 million and P101 million for the years ended December 31, 2017 and 2016, respectively. The increase was due to interest expenses from additional bank loans availed during the period and recognition of share in net loss of joint venture operations.

Net Income

For the year ended December 31, 2017, the Group earned a consolidated net income of P5,840 million at 4.7% net margin and an increase of 5.7% from P5,526 million at 4.9% net margin in 2016 of the same period. This was principally driven by the continuous expansion of the Group both organic as well as strategic acquisitions and investments and combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores complemented by sustained operating efficiencies and strategic costs controls on operating expenses at its current level.

Financial Position

The Group's consolidated financial position as at December 31, 2017, 2016 and 2015 are presented below:

(In millions)	2018			2017			2016	
		% to Total Assets	% Change		% to Total Assets	% Change		% to Total Assets
Cash & Cash Equivalents	P10,687	13.6%	32.5%	P8,066	11.3%	25.7%	P6,416	9.8%
Receivables – net	4,790	6.1%	4.8%	4,569	6.4%	17.7%	3,881	5.9%
Merchandise inventory	19,732	25.2%	11.5%	17,697	24.8%	7.3%	16,488	25.2%
Investments in trading securities	37	0.0%	-22.1%	47	0.1%	33.5%	35	0.1%
Prepaid expenses and other current assets	1,193	1.5%	23.7%	964	1.3%	-1.8%	982	1.5%
Total Current Assets	36,438	46.5%	16.3%	31,343	43.9%	12.7%	27,802	42.5%
Investments and acquisitions of subsidiaries	611	0.8%	-23.8%	802	1.1%	0.2%	800	1.2%
Property and equipment- net	19,489	24.9%	10.1%	17,696	24.8%	12.6%	15,712	24.0%
Intangibles and goodwill	19,736	25.2%	0.0%	19,737	27.6%	0.9%	19,561	29.9%
Other noncurrent assets	2,115	2.7%	12.2%	1,886	2.6%	25.0%	1,509	2.3%
Total Noncurrent Assets	41,952	53.5%	4.6%	40,121	56.1%	6.8%	37,581	57.5%
	P78,390	100.0%	9.7%	P71,464	100.0%	9.3%	P65,383	100.0%
Accounts payable and accrued expenses	11,677	14.9%	0.5%	11,613	16.3%	20.4%	9,645	14.8%
Short-term loans payable	4,756	6.1%	15.7%	4,113	5.8%	-18.0%	5,018	7.7%
Income tax payable	794	1.0%	-9.5%	878	1.2%	4.0%	844	1.3%
Trust receipts payable	-	-	-	4	0.0%	0.0%	-	0.0%
Due to related parties	43	0.1%	17.3%	37	0.1%	9.7%	34	0.1%
Current maturities of long - term loans, net of debt issue costs	-	0.0%	-100.0%	2,399	3.4%	1899.3%	120	0.2%
Other current liabilities	336	0.4%	-20.4%	417	0.6%	3.4%	402	0.6%
Total Current Liabilities	17,606	22.5%	-9.5%	19,461	27.2%	21.2%	16,062	24.6%
Noncurrent accrued rent	3,692	4.7%	13.2%	3,261	4.6%	12.1%	2,910	4.5%
Long-term loans - net of current maturities and debt issue costs	1,840	2.3%	0.0%	-	-	-100.0%	2,397	3.7%
Deferred tax liabilities – net	135	0.2%	-44.3%	243	0.3%	-34.6%	371	0.6%
Retirement benefits liability	478	0.6%	-11.1%	538	0.8%	14.7%	469	0.7%
Total Noncurrent Liabilities	6,146	7.8%	52.1%	4,041	5.7%	-34.3%	6,147	9.4%
Total Liabilities	P23,752	30.3%	1.1%	P23,502	32.9%	5.8%	P22,210	34.0%
Capital stock	2,800	3.6%	0.5%	2,785	3.9%	0.0%	2,785	4.3%
Additional paid in capital	20,830	26.6%	0.0%	20,830	29.1%	0.0%	20,830	31.9%
Remeasurements of retirement liability - net of tax	274	0.3%	133.3%	117	0.2%	87.6%	63	0.1%
Treasury stock, at cost	(71)	-0.1%	25.7%	(57)	-0.1%	0.0%	(57)	-0.1%
Retained earnings	30,805	39.3%	26.8%	24,285	34.0%	24.2%	19,551	29.9%
Total Equity	54,638	69.7%	13.9%	47,962	67.1%	11.1%	43,173	66.0%
	P78,390	100.0%	9.7%	P71,464	100.0%	9.3%	P65,383	100.0%

Comparative Years 2018 and 2017

Current Assets

As at December 31, 2018 and 2017, total current assets amounted to P36,438 million or 46.5% of total assets, and P31,558 million or 44.2% of total assets, respectively, for an increase of P4,880 million or 15.5%.

Cash and cash equivalents as at December 31, 2018 amounted to P10,687 million or 13.6% of total assets and increased by P2,622 million or 32.5% compared to previous year-end balance. Increase in cash balance was due to net cash generated from operations.

Receivables amounted to P4,790 million as at December 31, 2018 or 6.1% of total assets, with an increase of P220 million or 4.8% from P4,569 million in December 2017. The growth was due to increase in sales during the year related to full year operation of new organic and acquired stores.

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

Investments in trading securities amounted to P37 million as at December 31, 2018 from P47 million in December 2016 and decreased by P10 million or 22.1% due to unrealized loss from changes in fair market values.

Prepaid expenses and other current assets increased by P229 million or 23.7% due to prepayments made for advertising, prepayments for taxes and licenses, availment of new policies for insurance of new stores and advance payment of rent for soon to open stores.

Noncurrent Assets

As at December 31, 2018 and 2017, total noncurrent assets amounted to P41,952 million or 53.5% of total assets, and P40,121 million or 56.1% of total assets, respectively, for an increase of P1,830 million or 4.6% as at December 31, 2018.

Investments amounted to P611 million and P802 million as at December 31, 2018 and 2017, respectively. The net decrease of P191 million was due to sale of investment in joint venture with Lawson and P33 million additional equity investments in Ayagold during the period to finance both capital expenditures and working capital requirements for its second Mercado Supermarket outlet which was opened in December 2017.

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

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

Other noncurrent assets increased by P229 million or 12.2% from P1,886 million in December 2017 to P2,115 million in December 2018. This was primarily due to increase in security deposits made in relation to new leases acquired for the establishment of new Puregold organic stores and S&R warehouses and advance payments made to contractors.

Current Liabilities

As at December 31, 2018 and 2017, total current liabilities amounted to P17,606 million or 22.5% of total assets, and P19,461 million or 27.2% of total assets, respectively, for a decrease of P1,854 million or 9.5%

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

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

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

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

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

Other current liabilities amounted to P336 million and P417 million for the year ended December 31, 2018 and 2017, respectively. The decrease in the account was relatively due to redemption of gift checks and perks points benefits.

Noncurrent Liabilities

As at December 31, 2018 and 2017, total noncurrent liabilities amounted to P6,146 million or 7.8% of total assets, and P4,041 million or 5.7% of total assets, respectively, for an increase of P2,104 million or 52.1%

Noncurrent accrued rent increased by P432 million or 13.2% from P3,261 million in December 2017 to P3,692 million in December 2018 due to recognition during the year of additional allocated rent expense and related liabilities pertaining to the remaining lease period covering long-term operating lease contracts entered into by the Parent Company and its subsidiaries in compliance with PAS 17 – Leases.

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

Deferred tax liabilities net of deferred tax assets decreased by P108 million or 44.3% due to increase in deferred tax assets arising from accrual of rent expense and recognition of retirement liability.

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

Equity

As at December 31, 2018 and 2017, total equity amounted to P54,638 million or 39.3% of total assets and P24,285 million or 34.0% of total assets, respectively, for an increase of P6,676 million or 13.9% as at the end of the year.

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

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

Retained earnings increased by P6,520 million or 26.8% coming from net after-tax income realized during the current year.

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

Comparative Years 2017 and 2016

Current Assets

As at December 31, 2017 and 2016, total current assets amounted to P31,343 million or 43.9% of total assets, and P27,802 million or 42.5% of total assets, respectively, for an increase of P3,541 million or 12.7%.

Cash and cash equivalents as at December 31, 2017 amounted to P8,066 million or 11.3% of total assets and increased by P1,650 million or 25.7% compared to previous year-end balance. Increase in cash balance was due to net cash generated from operations.

Receivables amounted to P4,569 million as at December 31, 2017 or 6.4% of total assets, with an increase of P688 million or 17.7% from P3,881 million in December 2016. The growth was due to increase in sales during the year related to full year operation of new organic and acquired stores.

Merchandise inventory amounted to P17,697 million or 24.8% of total assets at the end of December 2017. Total inventory increased by P1,209 million or 7.3% principally due to stocking requirements of new organic and acquired stores.

Investments in trading securities amounted to P47 million as at December 31, 2017 from P35 million in December 2016 and increased by P12 million or 33.5% due to unrealized gain from changes in fair market values.

Prepaid expenses and other current assets amounted to P964 million and P982 million as of December 31, 2018 and 2017, respectively.

Noncurrent Assets

As at December 31, 2017 and 2016, total noncurrent assets amounted to P40,121 million or 56.1% of total assets, and P37,581 million or 57.5% of total assets, respectively, for an increase of P2,540 million or 6.8% as at December 31, 2017.

Investments amounted to P802 million and P800 million as at December 31, 2017 and 2016, respectively.

Net book values of property and equipment increased by P1,985 million or 12.6% from P15,712 million in December 2016 to P17,696 million in December 2017. This was due principally to capital expenditures pertaining to new stores established during the period.

Intangibles and goodwill amounted to P19,737 million and P19,561 million for the years ended December 31, 2017 and 2016, respectively.

Other noncurrent assets increased by P377 million or 25.0% from P1,509 million in December 2016 to P1,886 million in December 2017. This was primarily due to increase in advance rent and deposits made in relation to new leases acquired for the establishment of new Puregold organic stores and S&R warehouses.

Current Liabilities

As at December 31, 2017 and 2016, total current liabilities amounted to P19,461 million or 27.2% of total assets, and P16,062 million or 24.6% of total assets, respectively, for an increase of P3,398 million or 21.2%

Accounts payable and accrued expenses increased by P1,969 million or 20.4% primarily due to increase in trade liabilities and dividend payable as at the end of December 2017.

Short-term loans payable decreased by P905 million or 18.0% from P5,018 million in December 2016 to P4,113 million in December 2017 due to net settlement of short term loans during the year.

Income tax payable increased by P34 million from P844 million in December 2016 to P878 million in December 2017 due to recognition of tax liabilities due for the year, for the income earned on the year ended December 31, 2017.

Due to related parties amounted to P37 million and P34 million for the year ended December 2017 and 2016, respectively. This pertains to royalty fees.

Current maturities of long-term debt increased by P2,279 million due to long-term loans maturing in 2018 reclassified as current as at December 31, 2017.

Other current liabilities amounted to P417 million and P402 million for the year ended December 31, 2017 and 2016, respectively.

Noncurrent Liabilities

As at December 31, 2017 and 2016, total noncurrent liabilities amounted to P4,041 million or 5.7% of total assets, and P6,147 million or 9.4% of total assets, respectively, for a decrease of P2,106 million or 34.3%

Noncurrent accrued rent increased by P351 million or 12.1% from P2,910 million in December 2016 to P3,261 million in December 2017 due to recognition during the year of additional allocated rent expense and related liabilities pertaining to the remaining lease period covering long-term operating lease contracts entered into by the Parent Company and its subsidiaries in compliance with PAS 17 – Leases.

Long-term loans-net of current maturities and debt issue costs was reclassified to current liabilities as it qualifies as current obligation for the year ended December 31, 2017.

Deferred tax liabilities net of deferred tax assets decreased by P128 million or 34.6% due to increase in deferred tax assets arising from accrual of rent expense and recognition of retirement liability.

Retirement benefits liability increased by P69 million or 14.7% due to increase in salary and discount rate used in determining the liability as at December 31, 2017.

Equity

As at December 31, 2017 and 2016, total equity amounted to P47,962 million or 67.1% of total assets and P43,173 million or 66.0% of total assets, respectively, for an increase of P4,789 million or 11.1% as at the end of the year.

Re-measurements of retirement liability - net of tax pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2017, the account increased by P55 million due to unrealized gain on re-measurement of defined benefit liability.

Retained earnings increased by P4,734 million or 24.2% coming from net after-tax income realized net of cash dividend declared during the current year.

Treasury stock amounted to P57 million for the year ended December 31, 2017 and 2016.

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>	2018	2017	2016
Net cash provided by operating activities	P7,025	P7,641	P2,795
Net cash used in investing activities	(3,381)	(4,137)	(3,226)
Net cash provided by (used in) financing activities	(1,022)	(1,855)	600
Net increase in cash and cash equivalents	P2,622	P1,650	P169

Cash flows from operating activities

Net cash provided by operating activities amounted to P7,025 million, P7,641 million and P2,795 million for the years ended December 31, 2018, 2017 and 2016, 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 P3,381 million, P4,137 million and P3,226 million for the years ended December 31, 2018, 2017 and 2016, respectively. Capital expenditures for acquisitions of equipment, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounted to P3,658 million in 2018 and P3,588 million in 2017.

Cash flows from (used in) financing activities

Net cash used in financing activities amounted to P1,022 million in 2018 and P1,855 million in 2017 pertaining to settlement of loans and dividend payable. Net cash provided by financing activities amounted to P600 million in 2016 coming from additional loans availed during the year to augment working capital requirements.

Capital Expenditures

The table below sets out the Group's capital expenditures in 2017, 2016 and 2015.

	For the years ended December 31,		
<i>(In millions)</i>	2018	2017	2016
Office and store equipment	P888	P881	P990
Furniture and fixtures	155	218	199
Leasehold improvements	633	1,362	1,225
Building	237	650	327
Land	-	56	-
Construction in progress	1,753	423	344
Total	P3,666	P3,590	P3,085

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 28 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.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018, 2017 and 2016



PUREGOLD

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

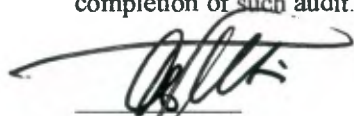
The management of **Puregold Price Club, Inc. and Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting 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.

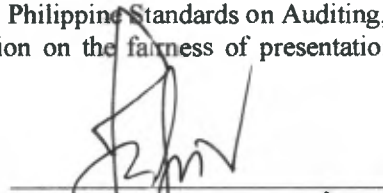
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

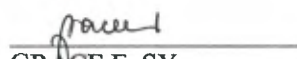
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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 stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


LUCIO L. CO
Chairman


FERDINAND VINCENT P. CO
President

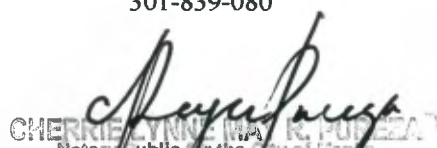

GRACE E. SY
Treasurer

Signed this 11 day of APR 11 2019, 2019

SUBSCRIBED AND SWORN to before me this day of APR 11 2019, affiants exhibiting to me their respective Tax Identification Number, as follows:

Name	TIN
LUCIO L. CO	108-975-971
FERDINAND VINCENT P. CO	208-381-185
GRACE E. SY	301-839-080

Doc. No. 204
Page No. 42
Book No. 20
Series of 2019


CHERRIE LYNN R. PUEZA
Notary Public for the City of Manila
Commission No. 2713-065 until Dec 31, 2019
Reg. No. 55525
IBP Lifetime Member No. 07093
PTR No. 3623423-01-03-19/Manila
MCLE Compliance No. 46812777/12-35-2016
No. 960 Remedios St., Paco, Manila



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Fax +63 (2) 894 1985
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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, 2018 and 2017, 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, 2018, and notes, comprising 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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



Key Audit Matters

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

Revenue Recognition (P140.92 billion)

Refer to Note 3 to the consolidated financial statements.

The risk

Revenue is an important measure used to evaluate the performance of the Group and is generated from various sources. It is accounted for when sales transactions are completed, when goods are delivered or services are rendered to the customers and all economic risks of the Group are transferred. While revenue recognition and measurement is not complex for the Group, revenues may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

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 sampling basis, sales transactions for a selected period before and after year-end to supporting documentation such as sales summary generated 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 sampling basis, sales transactions to supporting documentation such as sales invoices and delivery documents, as applicable, to ascertain that the revenue recognition criteria is met.
- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.



Valuation of Goodwill, Trademark and Customer Relationships (P19.50 billion)
Refer to Note 11 to the consolidated financial statements.

The risk

The Group holds significant balances pertaining to goodwill, trademark and customer relationships as a result of several business acquisitions. The annual impairment test of these assets was significant to our audit since this is complex and judgmental by nature as it is based on assumptions of future market and/or economic conditions. The key assumptions used include growth rates, discount rates and sensitivity analyses.

Our response

We performed the following audit procedures, among others, around impairment testing of goodwill, trademark and customer relationships:

- 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 in the consolidated financial statements.

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, 2018, 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, 2018 are expected to be made available to us after the date of this auditors' report.

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

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

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-30-2016

Issued October 18, 2016; valid until October 17, 2019

PTR No. MKT 7333616

Issued January 3, 2019 at Makati City

March 29, 2019

Makati City, Metro Manila

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

HEAD OFFICE
 Electronic Records Management Division
 ICTD APR 15 2019
 December 31

	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	P10,687,359,234	P8,065,646,235
Receivables - net	5, 22	4,789,798,078	4,569,341,716
Merchandise inventory	6	19,731,823,439	17,696,641,161
Financial assets at FVPL	7	36,502,592	46,887,876
Prepaid expenses and other current assets	8	1,192,910,954	964,129,471
Total Current Assets		36,438,394,297	31,342,646,459
Noncurrent Assets			
Investments	9	611,053,713	801,616,101
Property and equipment - net	10	19,489,073,780	17,696,372,319
Intangibles and goodwill	11	19,736,251,070	19,737,396,240
Other noncurrent assets	12, 18	2,115,425,536	1,886,062,097
Total Noncurrent Assets		41,951,804,099	40,121,446,757
		P78,390,198,396	P71,464,093,216
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	13, 22, 25	P11,676,505,995	P11,612,957,865
Short-term loans payable	14	4,756,300,000	4,112,500,000
Income tax payable		794,495,479	877,509,034
Due to related parties	22	43,474,532	37,065,831
Current maturities of long-term loan - net of debt issue cost	14	-	2,399,204,654
Other current liabilities	15	335,626,065	421,532,915
Total Current Liabilities		17,606,402,071	19,460,770,299
Noncurrent Liabilities			
Noncurrent accrued rent	18	3,692,167,535	3,260,616,193
Long-term loan - net of current maturities	14	1,840,000,000	-
Deferred tax liabilities - net	24	135,128,978	242,677,396
Retirement benefits liability	23	478,495,654	538,173,177
Total Noncurrent Liabilities		6,145,792,167	4,041,466,766
Total Liabilities		23,752,194,238	23,502,237,065
Equity			
Capital stock	25	2,799,914,086	2,785,362,877
Additional paid-in capital		20,830,391,081	20,830,391,081
Remeasurement of retirement benefits - net of tax		273,741,007	117,313,327
Treasury stock, at cost		(71,253,489)	(56,702,280)
Retained earnings		30,805,211,473	24,285,491,146
Total Equity		54,638,004,158	47,961,856,151
		P78,390,198,396	P71,464,093,216

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2018	2017	2016
NET SALES				
Gross sales		P141,216,887,789	P124,761,134,087	P112,818,373,088
Sales discount		298,879,561	270,110,521	229,006,848
	16	140,918,008,228	124,491,023,566	112,589,366,240
COST OF SALES	6, 17	117,077,675,356	103,015,148,714	93,213,664,249
GROSS PROFIT		23,840,332,872	21,475,874,852	19,375,701,991
OTHER OPERATING INCOME	16, 18, 19	2,941,091,069	2,692,247,628	2,428,845,796
		26,781,423,941	24,168,122,480	21,804,547,787
OPERATING EXPENSES	20	17,840,239,472	15,515,628,653	13,707,403,016
INCOME FROM OPERATIONS		8,941,184,469	8,652,493,827	8,097,144,771
OTHER INCOME (EXPENSES)				
Interest income	4	37,409,809	21,658,740	12,686,675
Interest expense	14	(174,596,536)	(129,697,000)	(101,469,303)
Share in results of joint ventures and associate	9	14,127,350	(138,034,506)	(68,439,999)
Others - net	7, 9, 10, 21	326,980,692	(22,296,975)	(22,557,840)
		203,921,315	(268,369,741)	(179,780,467)
INCOME BEFORE INCOME TAX		9,145,105,784	8,384,124,086	7,917,364,304
INCOME TAX				
Current		2,803,076,753	2,695,668,770	2,550,889,317
Deferred		(177,691,296)	(151,756,477)	(159,755,419)
	24	2,625,385,457	2,543,912,293	2,391,133,898
NET INCOME		6,519,720,327	5,840,211,793	5,526,230,406
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefits	23	223,258,703	78,103,072	90,219,876
Income tax relating to items that will not be reclassified subsequently		(66,831,023)	(23,314,023)	(27,044,752)
		156,427,680	54,789,049	63,175,124
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P6,676,148,007	P5,895,000,842	P5,589,405,530
Basic and diluted earnings per share	27	P2.36	P2.11	P2.00

See Notes to the Consolidated Financial Statements.

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

							Years Ended December 31
	Note	Capital Stock	Additional Paid-in Capital	Remeasurements of Retirement Benefits	Treasury Stock - At Cost	Retained Earnings	Total Equity
Balance at January 1, 2016		P2,785,362,877	P20,830,391,081	(P650,846)	(P56,702,280)	P14,854,815,931	P38,413,216,763
Total comprehensive income							
Net income for the year		-	-	-	-	5,526,230,406	5,526,230,406
Other comprehensive income - net of tax		-	-	63,175,124	-	-	63,175,124
Total comprehensive income		-	-	63,175,124	-	5,526,230,406	5,589,405,530
Transactions with owners of the Parent Company							
Cash dividends	25	-	-	-	-	(829,614,422)	(829,614,422)
Balance at December 31, 2016		2,785,362,877	20,830,391,081	62,524,278	(56,702,280)	19,551,431,915	43,173,007,871
Total comprehensive income							
Net income for the year		-	-	-	-	5,840,211,793	5,840,211,793
Other comprehensive income - net of tax		-	-	54,789,049	-	-	54,789,049
Total comprehensive income		-	-	54,789,049	-	5,840,211,793	5,895,000,842
Transaction with owners of the Parent Company							
Cash dividends	25	-	-	-	-	(1,106,152,562)	(1,106,152,562)
Balance at December 31, 2017		2,785,362,877	20,830,391,081	117,313,327	(56,702,280)	24,285,491,146	47,961,856,151
Total comprehensive income							
Net income for the year		-	-	-	-	6,519,720,327	6,519,720,327
Other comprehensive income - net of tax		-	-	156,427,680	-	-	156,427,680
Total comprehensive income		-	-	156,427,680	-	6,519,720,327	6,676,148,007
Transaction with owners of the Parent Company							
Effect of merger	25	14,551,209	-	-	(14,551,209)	-	-
Balance at December 31, 2018		P2,799,914,086	P20,830,391,081	P273,741,007	(P71,253,489)	P30,805,211,473	P54,638,004,158

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P9,145,105,784	P8,384,124,086	P7,917,364,304
Adjustments for:				
Depreciation and amortization	10, 11, 20	1,895,646,980	1,639,123,164	1,408,708,815
Rent expense in excess of billings		431,551,342	350,732,109	416,995,174
Interest expense	14	174,596,536	129,697,000	101,469,303
Retirement benefits cost	20, 23	163,606,897	147,018,254	119,606,198
Unrealized valuation loss (gain) in trading securities	7, 21	10,385,284	(11,778,850)	(676,435)
Share in results of joint ventures and associate	9	(14,127,350)	138,034,506	68,439,999
Gain on disposal of property and equipment	21	(154,310)	-	(2,031)
Dividend income	9, 21	(679,505)	(1,856,196)	(824,831)
Loss (gain) on insurance claim	21	(3,351,032)	14,855,363	-
Interest income	4	(37,409,809)	(21,658,740)	(12,686,675)
Gain on sale of investment in JV	9	(362,810,262)	-	-
Operating income before changes in working capital		11,402,360,555	10,768,290,696	10,018,393,821
Decrease (increase) in:				
Receivables		(220,456,362)	(688,485,925)	(1,197,759,895)
Merchandise inventory		(2,035,182,278)	(1,208,816,853)	(3,504,991,996)
Prepaid expenses and other current assets		(228,781,483)	(445,120,048)	(131,706,152)
Increase (decrease) in:				
Accounts payable and accrued expenses		2,284,190,075	1,690,361,697	(152,513,178)
Trust receipts payable		(4,090,706)	-	-
Due to related parties		6,408,701	3,289,208	4,007,211
Other current liabilities		(81,816,144)	17,668,572	71,556,303
Cash generated from operations		11,122,632,358	10,137,187,347	5,106,986,114
Interest received		37,409,809	21,658,740	12,686,675
Interest paid		(1,368,360,136)	(204,156,920)	(178,135,991)
Income taxes paid		(2,882,804,170)	(2,414,332,517)	(2,241,539,714)
Net cash provided by operating activities		6,908,877,861	7,540,356,650	2,699,997,084
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	10	(3,578,313,857)	(3,512,226,121)	(2,963,986,540)
Investments	9	(32,500,000)	(140,000,000)	-
Proceeds (payment) from:				
Sale of investment in joint venture	9	600,000,000	-	-
Disposal of property and equipment		10,995,096	6,638,394	4,194,256
Insurance claim (loss)	21	3,351,032	(14,855,363)	-
Increase in:				
Other noncurrent assets		(229,363,439)	(161,263,467)	(102,942,122)
Intangibles	11	(39,660,637)	(216,129,017)	(69,082,719)
Dividends received	22	679,505	1,856,196	824,831
Net cash used in investing activities		(3,264,812,300)	(4,035,979,378)	(3,130,992,294)

Forward

Years Ended December 31				
	Note	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term loans payable	14	(P560,000,000)	(P120,000,000)	(P450,000,000)
Payment of short-term loans payable	14	(1,415,000,000)	(2,320,000,000)	(1,650,000,000)
Availment of short-term loans payable	14	1,658,800,000	1,415,000,000	3,530,000,000
Availment of long-term loans payable		400,000,000	-	-
Cash dividends paid	25	(1,106,152,562)	(829,614,422)	(829,614,422)
Net cash provided by (used in) financing activities		(1,022,352,562)	(1,854,614,422)	600,385,578
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,621,712,999	1,649,762,850	169,390,368
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	8,065,646,235	6,415,883,385	6,246,493,017
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P10,687,359,234	P8,065,646,235	P6,415,883,385

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. The Group has three hundred seventy (370) operating stores and thirty-eight (38) food service stalls. Thirty-two (32) stores and seven (7) food service stalls were newly opened in 2018. Its registered office is located 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	
	2018	2017
Kareila Management Corporation	100	100
S&R Pizza (Harbor Point), Inc.	100	100
S&R Pizza, Inc.	100	100
PPCI Subic, Inc. (PSI)	100	100
Entenso Equities Incorporated (Entenso)	100	100
Goldtempo Company Incorporated (Goldtempo) ^(b)	-	100
Daily Commodities, Inc. (DCI) ^(b)	-	100
First Lane Super Traders Co., Inc. (FLSTCI) ^(b)	-	100
Pure Padala, Inc. ^(a)	100	-

^(a) Newly incorporated and has not started operations yet

^(b) Merged to the Company in 2018

All subsidiaries are engaged in the same business as the Parent Company except for Entenso whose 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.

2. Basis of Preparation

Statement of Compliance

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 March 29, 2019.

Basis of Measurement

The Group's consolidated financial statements have been prepared on the historical cost basis of accounting, except for:

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

Functional and Presentation Currency

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

Use of Judgments, Estimates and Assumptions

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

Judgments

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

Assessing Joint Arrangements

The Group determines the type of joint arrangement in which it is involved by considering its rights and obligations. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. Joint arrangements is classified into two types: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

The Group has determined that its investments in joint arrangements are classified as investments in joint ventures.

As at December 31, 2018 and 2017, the carrying amount of its investments in joint ventures amounted to P169.63 million and P360.19 million, respectively (see Note 9).

Distinction between Investment Property and Property and Equipment

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Property and equipment or owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

The Group has determined that its properties are classified as owner-occupied properties.

Assessing Lease Agreements

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

Operating Leases - Group as a Lessee

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

Rent expense recognized in profit or loss amounted to P3,064.10 million, P2,714.66 million and P2,515.69 million in 2018, 2017 and 2016, respectively (see Notes 18 and 20).

Operating Leases - Group as a Lessor

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

Rent income recognized in profit or loss amounted to P407.25 million, P388.65 million and P377.28 million in 2018, 2017 and 2016, respectively (see Notes 18 and 19).

Assessment of Computer Software and Licenses and Leasehold Rights

The Group acquired computer software and licenses and leasehold rights to be used for its primary line of business. The Group assessed that the computer software and licenses and leasehold rights are intangible assets since: (1) these are separable; in the case of computer software and licenses, these are not integral part of the related hardware, thus, the Group can sell the software and licenses individually or together with a related contract, asset or liability, and (2) they arose from contractual or other legal rights.

Estimates

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

Estimating Allowance for Impairment Losses on Receivables

The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the 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 allowance for impairment losses on receivables amounted to P7.46 million as at December 31, 2018 and 2017. In 2018 and 2017, the Group did not recognize an additional allowance for impairment losses on receivables because the Group believes that all outstanding receivables are recoverable. The carrying amount of receivables amounted to P4,789.80 million and P4,569.34 million as at December 31, 2018 and 2017, respectively (see Note 5).

Estimating Net Realizable Value (NRV) of Merchandise Inventory

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 (i.e., pre-termination of contracts). 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 inventory amounted to P19,731.82 million and P17,696.64 million as at December 31, 2018 and 2017, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment

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

In addition, the estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

Depreciation and amortization recognized in profit or loss amounted to P1,854.84 million, P1,599.80 million and P1,379.09 million in 2018, 2017 and 2016, respectively (see Notes 10 and 20). Property and equipment, net of accumulated depreciation and amortization, amounted to P19,489.07 million and P17,696.37 million as at December 31, 2018 and 2017, respectively (see Note 10).

Estimating Useful Lives of Computer Software and Licenses and Leasehold Rights

The Group estimates the useful lives and amortization methods of computer software and licenses and leasehold rights based on the period and pattern in which the assets' future economic benefits are expected to be consumed by the Group. The estimated useful lives and amortization period of computer software and licenses and leasehold rights are reviewed at each reporting date and are updated if there are changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the computer software and licenses and leasehold rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the assumptions used.

Amortization recognized in profit or loss amounted to P40.81 million, P39.32 million and P29.62 million in 2018, 2017 and 2016, respectively (see Notes 11 and 20). Net carrying value of computer software and licenses and leasehold rights amounted to P234.71 million and P235.86 million as at December 31, 2018 and 2017, respectively (see Note 11).

Impairment of Goodwill, Trademark and Customer Relationships with Indefinite Lives

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

The carrying amounts of goodwill, trademarks and customer relationships with indefinite useful lives amounted to P19,501.54 million as at December 31, 2018 and 2017, respectively (see Note 11).

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 separate 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, 2018 and 2017.

As at December 31, 2018 and 2017, the following are the carrying amounts of nonfinancial assets:

	<i>Note</i>	2018	2017
Property and equipment - net	10	P19,489,073,780	P17,696,372,319
Intangibles and goodwill	11	19,736,251,070	19,737,396,240
Investments	9	611,053,713	801,616,101

Management assessed that there are no impairment losses on the Group's non-financial assets for the years ended December 31, 2018 and 2017.

Estimating Realizability of Deferred Tax Assets

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, 2018 and 2017, the Group recognized deferred tax assets amounting to P1,328.70 million and P1,197.47 million, respectively (see Note 24).

The Group has not recognized any provision as at December 31, 2018 and 2017.

Estimating Retirement Benefits Liability and Cost

The determination of the Group's obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rate and salary increase rates. Remeasurements of the retirement benefits liability are recognized in other comprehensive income and comprise of actuarial gains and losses on the retirement benefit obligation, return on plan assets, excluding amounts included in the net interest of the pension benefit obligation and any change in the effect of the asset ceiling.

Retirement benefits liability amounted to P478.50 million and P538.17 million as at December 31, 2018 and 2017, respectively (see Note 23).

3. Summary of Significant Accounting Policies

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

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

The Group has adopted the following amendments to standards starting January 1, 2018 and accordingly, changed its accounting policies. The adoption did not have a material impact on the Group's consolidated financial statements.

A number of other amendments and interpretations are also effective from January 1, 2018 but they do not have a material effect on the Group's financial statements.

- *PFRS 15 Revenue from Contracts with Customers* replaces *PAS 11 Construction Contracts*, *PAS 18 Revenue*, *IFRIC 13 Customer Loyalty Programmes*, *IFRIC 18 Transfer of Assets from Customers* and *SIC-31 Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.
- Philippine Interpretation *IFRIC-22 Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

Additional disclosures required by the amended standards and interpretation were included in the consolidated financial statements, where applicable.

- *PFRS 9, Financial Instruments (2014)*. *PFRS 9 (2014)* replaces *PAS 39, Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of *PFRS 9* that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). *PFRS 9* includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. *PFRS 9* incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The Group has not designated any financial liabilities as FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

The adoption of PFRS 9 has no significant impact on the Group's financial statements and additional required disclosures were made as applicable.

Impairment of Financial Assets

PFRS 9 replaces the 'incurred loss' model in PAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

For assets in the scope of the PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Group assessed that the impact of providing ECL in its financial assets is immaterial (see Note 28).

Hedge Accounting

The Group has not entered into hedge accounting, thus this has no impact on the Group's financial statements.

PIC Q&A on Advances to Contractors

The Group adopted PIC Q&A 2018-15, PAS 1, *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statement of financial position at January 1, 2018:

<i>(In thousand pesos)</i>	Current Assets	Noncurrent Assets
Advances to contractors and suppliers	(P215,533,529)	P215,533,529

Advances to contractors and suppliers in relation to the construction of property and equipment previously presented under current assets were reclassified to noncurrent assets. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based on the timing of application of these advances against billings. The interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (i.e., inventories, investment properties and property and equipment).

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new and amendments to standards and interpretations are issued for annual periods beginning after January 1, 2018. However, the Group has not applied the following relevant new or amended standards in preparing the financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's financial statements.

Effective January 1, 2019

- *PFRS 16 Leases* supersedes *PAS 17 Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

Future adoption of the standards will result in the recognition of the right-of-use (ROU) of asset, lease liability and additional disclosures. Management is still evaluating the financial impact of the new standard on the Group's consolidated financial statements as of the reporting period including the transition approach that will be adopted.

Significant amounts of ROU and lease liability are expected to be recognized given the significance of the future minimum lease payments as at December 31, 2018 which amounted to P46.2 billion (see Note 18).

The following amended standards and interpretations are relevant but not expected to have a significant impact on the Group's consolidated financial statements.

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in *PAS 12 Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Group's chosen tax treatment. If it is not probable that the tax authority will accept the Group's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. An entity shall disclose in its financial statements that fact if it applied the interpretation in an earlier period.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
 - a new chapter on measurement;
 - guidance on reporting financial performance;
 - improved definitions of an asset and a liability, and guidance supporting these definitions; and
 - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- *Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*)*. The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

- *Definition of Material (Amendments to PAS 1 *Presentation of Financial Statements* and PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*)*. The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:
 - a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
 - b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

- c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
- d) clarifying the explanatory paragraphs accompanying the definition; and
- e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Financial Instruments

Initial Recognition and Subsequent Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

a. Initial Recognition and Subsequent Measurement Prior to January 1, 2018

Financial Assets

Initial Recognition and measurement. Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS financial assets. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transactions costs that are attributable to the acquisition of the financial asset. The Group has no financial assets at FVPL and HTM investments.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date the Group commits to purchase or sell the asset.

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification as described below:

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

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired.

Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, receivables, advances to contractors and security deposits (included as part of "Other noncurrent assets") are included in this category.

- *AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in other comprehensive income and are reported as "Cumulative unrealized gain (loss) on AFS financial assets" in equity. When the financial asset is disposed of, the cumulative gain or loss previously recorded in other comprehensive income is recognized in profit or loss. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on financial assets are recognized in profit or loss as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investments. The major factor of this decision is whether or not the Group will experience inevitable further losses on investments.

These financial assets are classified as noncurrent unless there is intention to dispose of such assets within 12 months of the reporting date.

The Group's AFS financial assets include investment in equity securities.

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL or loans and borrowings.

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

Debt Issue Costs

Debt issue costs are considered as directly attributable transaction costs upon initial measurement of the related debt and are subsequently considered as an adjustment to the amortized cost and effective yield of the related debt using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

The Group's financial liabilities include accounts payable and accrued expenses, dividends payable and long-term debts, except payable to government agencies.

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

b. Initial Recognition and Subsequent Measurement Effective January 1, 2018

Financial Assets

Initial Recognition and measurement. Financial assets are classified as financial assets measured at amortized cost, FVPL and FVOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at December 31, 2018.

Subsequent measurement. The subsequent measurement of financial assets depends on their classification as described below:

- *Financial assets at Amortized Cost.* This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

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.

As at December 31, 2018, the Group's cash and cash equivalents, receivables, advances to contractors and security deposits (included as part of "Other non current assets") are included in this category.

- *Financial assets designated at FVOCI (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the separate statement of comprehensive income. Dividends earned on financial assets are recognized in profit or loss as "dividend income", when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

As at December 31, 2018, this category includes the Group's unquoted equity securities. Prior to adoption of PFRS 9, these financial assets were classified as AFS financial assets.

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL or loans and borrowings.

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

Debt Issue Costs

Debt issue costs are considered as directly attributable transaction costs upon initial measurement of the related debt and are subsequently considered as an adjustment to the amortized cost and effective yield of the related debt using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Subsequent Measurement. The measurement of financial liabilities depends on their classification as described below:

- *Financial liabilities at FVPL.* Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the separate statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability at FVPL.

- *Loans and borrowings.* This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using EIR method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

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

Impairment of Financial Assets

The Group uses the expected credit losses model ("ECL") which is applied to all financial assets measured at amortized cost. The ECL is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-months ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit impaired. For these items, lifetime expected credit losses are recognized which is the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that are credit impaired at the reporting date. For these items, lifetime expected credit losses are recognized. No impairment loss is recognized on equity investments.

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

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

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

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

- existing and forecast changes in the business, financial and economic conditions.

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

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

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

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

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.

Business Combinations

Business combinations and acquisition of entities other than those under common control are accounted for using the acquisition method as at the acquisition date - i.e., when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

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

Subsidiaries

Subsidiaries are entities controlled by the Group. In accordance with PFRS 10 *Consolidated Financial Statements*, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of Control

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

Transactions Eliminated on Consolidation

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in preparing the consolidated financial statements, in accordance with the accounting policy on consolidation. Unrealized losses are eliminated unless costs cannot be recovered.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies for like transactions and other events in similar circumstances.

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.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Merchandise Inventory

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

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

Property and Equipment

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

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

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

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

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

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

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

Investments in Joint Ventures and Associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control on an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an enterprise in which the investor has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

The Group's investments in joint ventures and associates are accounted for under the equity method of accounting. Under the equity method, investments in joint ventures and associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investments in joint ventures and associates after the date of acquisition. The Group's share in profit or loss of the joint ventures and associates are recognized in the Group's profit or loss. Dividends received from the investments in joint ventures and associates reduce the carrying amount of the investments.

Investment in a Joint Operation

A joint arrangement is classified as joint operations when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognizes its share in the results of the joint arrangement aside from the compensation from the use of its land and building. The Group has no capital commitments or contingent liabilities in relation to its interests in joint arrangements.

Intangible Assets and Goodwill

Intangible Assets

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

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

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

Computer software and licenses and leasehold rights separately acquired by the Group that has finite useful life is measured at cost less accumulated amortization and impairment losses, if any.

Subsequent costs are capitalized only when they increase the future economic benefits embodied in the assets to which they relate. All other expenditures are recognized in profit or loss when incurred.

The amortization is computed using the straight-line method over the estimated useful life of the capitalized software from the date it is available for use and amortized over five (5) years. Leasehold rights are amortized on a straight-line basis over the lease period of twenty (20) years. The estimated useful life and the amortization method of an intangible asset with finite useful life are reviewed at each reporting date.

Gain or loss on disposal or retirement of an intangible asset with finite useful life is recognized in profit or loss when the asset is disposed of or retired.

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. The Group measures goodwill at the acquisition date as:

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

Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole. The Group performs its impairment test of goodwill on an annual basis or earlier whenever events or changes in circumstances indicate that goodwill may be impaired.

Impairment of Non-financial Assets

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

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

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

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

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

Revenue from Contracts with Customers

The Company is in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company is the principal in its revenue arrangements except for concession income. The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of Goods* is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Accordingly, advances received prior to delivery of goods are recorded as unearned revenues and are earned upon physical delivery and acceptance by customer. Unearned revenues are classified as current liabilities.
- *Concession Income* pertains to a range of fixed percentage income from sales of concessionaire supplier's goods sold inside the store. The income is recognized when earned.
- *Membership Income* refers to fees from members wherein such fees permit only membership, and all other services or products are paid for separately. The fee is recognized as revenue when no uncertainty as to its collectability exists.
- *Other Income* from display, demonstration or sampling, listing fee, endcap or palette income, merchandise support and miscellaneous income are recognized when earned.

Revenues outside the scope of PFRS 15

- *Rent Income* from property and equipment is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income, over the term of the lease.
- *Dividends* are recognized when the Group's right as a shareholder to receive the payment is established.
- *Interest Income* is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.

Cost of Sales

Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the cost of storing and transporting the products (i.e., freight costs or trucking costs, cross-dock delivery fees, and other direct costs). Vendor returns and allowances are generally deducted from cost of sales.

The Group adopted PFRS 15 retrospectively which resulted to the following reclassifications in the statements of comprehensive income:

	As Previously Classified	Adjustments	As Reclassified
December 31, 2018:			
Cost of Sales	P117,944,366,898	(P866,691,542)	P117,077,675,356
Other Income:			
Display Allowance	635,015,006	(635,015,006)	-
Merchandising Support	22,988,919	(22,988,919)	-
Endcap/Pallet Income	95,245,536	(95,245,536)	-
Listing Fee	113,442,081	(113,442,081)	-
December 31, 2017:			
Cost of Sales	103,836,274,555	(821,125,841)	103,015,148,714
Other Income:			
Display Allowance	581,265,482	(581,265,482)	-
Merchandising Support	98,362,240	(98,362,240)	-
Endcap/Pallet Income	71,587,143	(71,587,143)	-
Listing Fee	69,910,976	(69,910,976)	-
December 31, 2016:			
Cost of Sales	94,051,006,454	(837,342,205)	93,213,664,249
Other Income:			
Display Allowance	550,447,640	(550,447,640)	-
Merchandising Support	151,203,463	(151,203,463)	-
Listing Fee	70,254,459	(70,254,459)	-
Endcap/Pallet Income	65,436,643	(65,436,643)	-

Before adoption of PFRS 15, display allowance and listing fee are classified under other operating income. The classification was based on the Group's assessment that the other income are distinct and separately identifiable. With the implementation of PFRS 15, management assessed that these other income would not occur without the purchase of goods from the suppliers and they are highly dependent on the purchase of the supplier products. Thus, these income are not distinct and should be accounted for as a reduction of the purchase price.

Operating Expenses

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

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

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

Deferred Tax

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

Value Added Tax (VAT)

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

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

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

Leases

Group as Lessee

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Cumulative excess of rent expense over billing from lessors are presented as noncurrent accrued rent in the consolidated statements of financial position.

Group as Lessor

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

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.

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.

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.

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.

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	2018	2017
Cash on hand		P1,176,262,735	P911,980,247
Cash in banks	28, 29	2,327,340,011	1,595,422,919
Money market placements	28, 29	7,183,756,488	5,558,243,069
	29	P10,687,359,234	P8,065,646,235

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 0.60% to 5.80% in 2018, 0.30% to 2.00% in 2017, and 0.50% to 2.00% in 2016. Interest income earned from cash in banks and money market placements amounted to P37.40 million, P21.66 million, and P12.69 million in 2018, 2017, and 2016, respectively.

5. Receivables

This account consists of:

	Note	2018	2017
Trade receivables	22	P3,383,202,926	P2,519,922,263
Non-trade receivables	22	1,414,057,479	2,056,881,780
		4,797,260,405	4,576,804,043
Less allowance for impairment losses on trade receivables		7,462,327	7,462,327
	28, 29	P4,789,798,078	P4,569,341,716

Trade receivables generally have a one-to-30-day credit terms. Management believes that except for the account provided with allowance for impairment losses amounting to P7.46 million as at December 31, 2018 and 2017, all other receivables are collectible and therefore, no additional allowance is necessary.

Non-trade receivables represent the amounts due from suppliers with respect to “demo” or “sampling” conducted by suppliers’ representatives and strategic locations granted to suppliers with regard to the display of their products in the selling area of the stores. This account also includes due from tenants in relation to rentals of store spaces and advances to employees which are collected by the Company through salary deduction.

6. Merchandise Inventory

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

The Group’s merchandise inventory at cost as at December 31, 2018 and 2017 amounted to P19,731.82 million and P17,696.64 million, respectively. Inventory cost as at December 31, 2018 and 2017 is lower than NRV.

Inventory charged to the cost of sales amounted to P117,077.68 million, P103,015.15 million and P93,213.66 million in 2018, 2017 and 2016, respectively (see Note 17).

7. Investments in Trading Securities

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

The movements and balances of these investments in trading securities are as follows:

	Note	2018	2017
Cost			
Balance at beginning of the year		P15,355,998	P15,355,998
Valuation Adjustments			
Balance at beginning of the year		31,531,878	19,753,028
Unrealized valuation gain (loss) for the year	21	(10,385,284)	11,778,850
		21,146,594	31,531,878
	29	P36,502,592	P46,887,876

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2018	2017
Prepaid expenses	P835,455,304	P532,078,547
Input VAT	177,157,046	362,760,754
Deferred input VAT	180,298,604	69,290,170
	P1,192,910,954	P964,129,471

The details of prepaid expenses are as follows:

	Note	2018	2017
Rent	18	P372,464,353	P342,844,532
Taxes and licenses		235,665,656	68,876,979
Insurance		92,309,095	81,191,119
Advertising and promotion		88,984,008	-
Supplies		25,692,015	29,953,376
Repairs and maintenance		6,046,013	6,226,139
Others		13,794,164	2,986,402
		P835,455,304	P532,078,547

Prepaid taxes and licenses pertain to payments made to government for the unexpired portion of registration fees and other taxes.

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

Prepaid insurance refers to payments made in advance in return for insurance services covering the Group's merchandise inventory, property and equipment and others.

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

Deferred input VAT represents accumulated input taxes for purchases of capital assets more than P1.00 million and unbilled services for the building and leasehold construction which can be applied against future output VAT.

9. Investments

The details of investments are as follows:

	<i>Note</i>	2018	2017
Investment in associate	<i>a</i>	P433,542,655	P433,542,657
Investments in joint ventures	<i>b</i>	169,631,898	360,194,284
Financial Assets at FVOCI	<i>c, 21</i>	7,879,160	7,879,160
		P611,053,713	P801,616,101

a. Investment in Associate

On December 4, 2013, the Group through Entenso acquired equity interest of 49.34% in San Roque Supermarkets (SRS) for a total cost of P371,896,077. SRS is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

On October 31, 2014, the Group through Entenso subscribed and paid additional one hundred ninety thousand eight (190,008) common shares from the unissued capital stock of the SRS for total cost of P19,000,800.

The carrying amount of its investment and its share in the net income of SRS follow:

	2018	2017
Carrying Amount		
Balance at beginning of the year	P433,542,657	P424,424,914
Share in net income	6,673,814*	9,117,743
	P440,216,471	P433,542,657

**Unrecognized share in net income*

The following table summarizes the financial information of SRS and the reconciliation of the share of net assets to the carrying amount of the Group's interest in SRS:

	2018	2017
Percentage of ownership	49.34%	49.34%
Current assets	P3,955,182,333	P1,063,945,081
Noncurrent assets	221,748,333	205,634,823
Current liabilities	(3,825,817,091)	(933,892,391)
Noncurrent liabilities	(18,405,154)	(16,505,265)
Net assets	332,708,421	319,182,248
Group's share of net assets	164,158,335	157,484,521
Goodwill	276,058,136	276,058,136
Carrying amount of interest in joint venture	P440,216,471	P433,542,657
Gross income	P483,357,637	P451,395,033
Operating expenses	469,831,463	432,915,619
Net income/Total comprehensive income	13,526,174	18,479,414
Group's share of total comprehensive income	P6,673,814	P9,117,743

b. *Investments in Joint Ventures*

PG Lawson Company, Inc.

On June 12, 2014, the Parent Company entered into a joint venture agreement with Lawson Asia Pacific Holdings Pte. Ltd. and Lawson, Inc. (Lawson), both engaged in the operation of convenience stores in Japan and other Asian countries, to establish PG Lawson Company, Inc. (PLCI), a joint venture company that will operate convenience stores in the Philippines.

The Parent Company subscribed a total of 3,500,000 common shares at P100.00 par value for a total investment of P350.00 million representing a 70% interest while Lawson subscribed to a total of 1,500,000 common shares at P100.00 par value for a total investment of P150.00 million or 30% interest in the joint venture. PLCI was incorporated in the Philippines on June 2, 2014.

In 2017, the Parent Company subscribed and paid additional 1,400,000 common shares at P100.00 par value for a total amount of P140.00 million while Lawson subscribed and paid additional 600,000 common shares at P100.00 par value for a total amount of P60.00 million.

In April 2018, the Parent Company sold all of its investment in PLCI for a total consideration of P600 million which resulted in a gain on sale amounting to P363 million.

The carrying amount of its investment and its share in the losses of PLCI follow:

	2018	2017
Balance at beginning of the year	P237,189,738	P256,995,907
Additions	-	140,000,000
Share in net loss	-	(159,806,169)
Disposal	(237,189,738)	-
	P -	P237,189,738

The following table summarizes the financial information of PLCI and the reconciliation of the share of net assets to the carrying amount of the Group's interest in PLCI as at December 31, 2017:

Percentage of ownership	70%
Current assets	P250,672,472
Noncurrent assets	234,299,691
Current liabilities	(127,834,380)
Noncurrent liabilities	(18,295,300)
Net assets	338,842,483
Group's share of net assets	237,189,738
Carrying amount of interest in joint venture	P237,189,738
Gross income	P472,138,114
Operating expenses	705,932,018
Net loss/Total comprehensive loss	(233,793,904)
Impact of previous years' audited operating results	5,499,377
Adjusted net results	(228,294,527)
Group's share of total comprehensive income	(P159,806,169)

AyaGold Retailers, Inc.

On July 8, 2013, the Group through Entenso entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold), for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as both parties may agree. AyaGold was incorporated in the Philippines on July 8, 2013 and started operation on July 31, 2015 with the opening of its first supermarket "Merkado" located at U.P. Town Center.

Both parties subscribed to 6,000,000 common shares and 54,000,000 redeemable preferred shares each with a par value of P1.00 for a total investment of P60.00 million representing 50% interest each to the joint venture.

In February 2018, both parties subscribed for an additional 32,500,000 common shares at P1.00 par value for a total amount of P65.00 million.

The redeemable preferred shares shall have the following features:

- (a) Voting rights;
- (b) 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;
- (c) 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
- (d) Redeemable at the option of the joint venture.

The carrying amount of its investment and its share in the losses of AyaGold follow:

	2018	2017
Balance at beginning of the year	P123,004,546	P110,350,626
Additions	32,500,000	-
Share in net income	14,127,350	12,653,920
	P169,631,896	P123,004,546

The following table summarizes the financial information of Ayagold and the reconciliation of the share of net assets to the carrying amount of the Group's interest in Ayagold:

	2018	2017
Percentage of ownership	50%	50%
Current assets	P267,156,027	P259,740,877
Noncurrent assets	199,643,384	155,517,973
Current liabilities	(135,618,781)	(173,016,250)
Net assets	331,180,630	242,242,600
Group's share of net assets	165,590,315	121,121,300
Adjustments	4,041,581	1,883,246
Carrying amount of interest in joint venture	P169,631,896	P123,004,546
Gross income	P159,191,383	P120,857,719
Operating expenses	130,936,683	95,549,879
Net income (loss)/Total comprehensive income (loss)	28,254,700	25,307,840
Group's share of total comprehensive income	P14,127,350	P12,653,920

c. *Financial Assets at FVOCI*

Financial Assets at FVOCI include Tower Club shares amounting to P617,500 and Meralco preferred shares amounting to P7,261,660 which were acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Parent Company.

Dividend income related to these investments amounted to P0.68 million, P1.86 million, and P0.82 in 2018, 2017, and 2016, respectively (see Note 21).

Acquisitions of Subsidiaries

The following are the developments relating to the Parent Company's investments in subsidiaries in 2018 and 2017:

Entenso Equities Incorporated (Entenso)

On July 3, 2013, the Parent Company's BOD approved the acquisition of Entenso's entire outstanding capital stock. On the same day, the BOD of Entenso approved the increase in Entenso's authorized capital stock from P5.00 million divided into 50,000 shares at P100 par value to P1.00 billion divided into 10,000,000 shares at P100 par value.

In 2016 and 2015, the Company made an additional investment to Entenso amounting to P458 million and P1.7 billion, respectively. Entenso is in the process of filing application for increase in its authorized capital stock with the SEC.

Company E Corporation

On January 14, 2013, the Parent Company's BOD approved the acquisition of Company E Corporation (the company behind the Eunilaine Foodmart and Grocer E Supermart chains). The Parent Company acquired 290,000 common shares of Company E representing its total outstanding shares at P1,137.93 per share through cash. Company E has seven supermarkets within Metro Manila, six in Rizal province and two in the province of Cavite which will operate the same store as the Parent Company. As at December 31, 2014, there are fourteen stores in operation and one store in Rizal was closed in the same year.

On March 25, 2014, the BOD approved the merger of the Parent Company with Company E Corporation. It was then ratified by at least two-thirds (2/3) votes of the stockholders on May 13, 2014. In April 1, 2015, upon approval by the SEC of the merger, the existence of Company E ceased and all its assets and liabilities were merged with the Parent Company.

Kareila Management Corporation

On May 28, 2012, the acquisition of Kareila, operator of S&R Membership Shopping, through a "share-for-a-share" swap was approved by the SEC. The principal activities of Kareila include management of businesses, investing in the business that it manages, or of which it is the managing agent; and providing management investment and technical advice to commercial, industrial, manufacturing, and other enterprises.

The Parent Company issued 766,406,250 new common shares, with P1 par value, from its own authorized but unissued capital in exchange for 1,703,125 common shares, with P100 par value per share, of Kareila representing 100% of its outstanding capital stock. The fair market value of the Company's shares based on the observable market price as at the date of acquisition is P21.50 per share or P16,477.73 million. The Company incurred acquisition-related cost of P3.83 million. This cost has been included as part of operating expenses.

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

On November 28, 2013, the BOD of Kareila resolved to increase its authorized capital stock from P500 million divided into 5 million shares, with par value of P100 per share to P3,000 million pesos divided into 30 million shares with a par value of P100 per share. Out of the increase in the authorized capital stock of P2,500 million, 25% of which or P625 million had been actually subscribed by the Parent company out of the stock dividend declared by Kareila. On the same date, the Kareila amended its articles of incorporation. Subsequently, on December 13, 2013, SEC approved the Kareila's application of its increase in authorized capital stock.

PPCI Subic Inc.

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

10. Property and Equipment

The movements in this account are as follows:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, December 31, 2016	P5,242,351,630	P2,287,626,748	P6,828,713,195	P7,561,407,341	P379,809,187	P602,029,363	P22,901,937,464
Additions	367,679,075	171,949,590	544,593,984	456,292,266	29,667,128	2,021,010,633	3,591,192,676
Reclassifications	282,481,436	46,373,964	337,014,145	905,680,602	26,751,530	(1,598,301,677)	-
Disposals	-	(721,739)	(13,563,437)	(729,745)	-	-	(15,014,921)
Balance, December 31, 2017	5,892,512,141	2,505,228,563	7,696,757,887	8,922,650,464	436,227,845	1,024,738,319	26,478,115,219
Additions	236,614,230	154,915,290	882,850,069	630,970,963	-	1,753,032,868	3,658,383,420
Reclassifications	246,162,042	27,649,427	326,540,912	1,053,420,820	-	(1,653,773,201)	-
Disposals	-	(4,273,738)	(27,821,466)	(11,374,253)	-	-	(43,469,457)
Balance, December 31, 2018	6,375,288,413	2,683,519,542	8,878,327,402	10,595,667,994	436,227,845	1,123,997,986	30,093,029,182
Accumulated Depreciation and Amortization							
Balance, December 31, 2016	887,916,623	945,803,715	3,999,455,501	1,357,139,269	-	-	7,190,315,108
Depreciation and amortization	187,950,914	181,796,799	824,051,506	406,005,100	-	-	1,599,804,319
Reclassifications	6,235,334	-	-	(6,235,334)	-	-	-
Disposals	-	(601,756)	(7,483,305)	(291,466)	-	-	(8,376,527)
Balance, December 31, 2017	1,082,102,871	1,126,998,758	4,816,023,702	1,756,617,569	-	-	8,781,742,900
Depreciation and amortization	206,515,275	204,747,335	955,465,682	488,112,881	-	-	1,854,841,173
Reclassifications	(18,496)	(1,796,693)	1,700,955	114,234	-	-	-
Disposals	-	(2,247,592)	(25,477,171)	(4,903,908)	-	-	(32,628,671)
Balance, December 31, 2018	1,288,599,650	1,327,701,808	5,747,713,168	2,239,940,776	-	-	10,603,955,402
Carrying Amount							
December 31, 2017	P4,810,409,270	P1,378,229,805	P2,880,734,185	P7,166,032,895	P436,227,845	P1,024,738,319	P17,696,372,319
December 31, 2018	P5,086,688,763	P1,355,817,734	P3,130,614,234	P8,355,727,218	P436,227,845	P1,123,997,986	P19,489,073,780

As at December 31, 2018 and 2017, the Parent Company has outstanding payable for property additions amounting to P1.66 million and P2.56 million, respectively (see Note 13). In addition, interest expense related to loans amounting to P81.73 million, P76.40 million and P75.44 million was capitalized in 2018, 2017 and 2016, respectively (see Note 14).

No impairment loss was recognized in 2018 and 2017.

11. Intangibles and Goodwill

This account consists of:

	Note	2018	2017
Goodwill	a	P14,902,423,321	P14,902,423,321
Trademark	b	3,709,660,547	3,709,660,547
Customer relationships	b	889,452,981	889,452,981
Computer software and licenses - net	c	179,832,676	177,210,095
Leasehold rights	c	54,881,545	58,649,296
		P19,736,251,070	P19,737,396,240

a. *Goodwill*

The cost of goodwill is allocated to the CGUs as follows:

	2018	2017
Kareila	P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	837,974,199	837,974,199
DCI and FLSTCI	685,904,317	685,904,317
Gant	742,340,804	742,340,804
Company E	358,152,015	358,152,015
B&W	187,203,888	187,203,888
PJSI	11,370,121	11,370,121
Merger of PJSI and Gant to Parent Company	4,142	4,142
	P14,902,423,321	P14,902,423,321

The movements in goodwill are as follows:

	2018	2017
Balance at beginning of the year	P14,902,423,321	P14,715,769,906
Additions	-	187,203,888
Fair value adjustments	-	(550,473)
	P14,902,423,321	P14,902,423,321

Acquisition of B and W Supermart, Black and White Supermart and Goodshop Supermart (collectively referred to as "B&W Supermart").

On September 26, 2017, the Parent Company acquired substantially all the assets and rights of B&W Supermart and took over the operations of five (5) supermarkets located in Roxas City, Capiz for a total consideration of P270.00 million. The acquisition resulted in goodwill amounting to P187.20 million.

The following summarizes the identifiable assets acquired:

Purchase price consideration transferred	P270,000,000
Fair value of property and equipment	82,796,112
Goodwill	P187,203,888

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the net assets acquired and the liabilities assumed is attributable to goodwill. The goodwill comprises the fair value of expected synergies arising from the acquisition.

The Group's consolidated revenue would have increased by P238.08 million and its net income would have increased by of P17.68 million of the Group had this acquisition taken on January 1, 2017.

Key Assumptions on Impairment Testing of Goodwill

The Group performs impairment testing of goodwill annually. The recoverable amount of the cash generating units containing the goodwill is based on the value-in use which is determined on discounting the future cash flows to be generated from the continuing use of the cash generating units.

The following are the key assumptions used by the management in the estimation of the recoverable amount:

Net Sales. Growth rates and gross profit margins used to estimate future performance are highly dependent on past performance and experience of growth rates and operating gross profit margins achievable in the relevant industry and in line with the economy or with the nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective territories will also grow at par with the economy.

The revenue growth rates used for the gross revenues are as follows:

Operating Expenses. Operating expenses are projected to increase at a single-digit growth rate and at a slower pace than revenue.

Discount Rate. Discount rates are derived from the Group's Weighted Average Cost of Capital (WACC) which is used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to various market information, including, but not limited to, five-year government bond yield, bank lending rates and market risk premium. The pre-tax discount rates used are as follows:

	2018	2017
Kareila	13.30%	15.67%
Budgetlane Supermarkets	13.10%	11.94%
Gant	13.60%	15.77%
DCI and FLSTCI	13.60%	10.19%
Company E	13.50%	15.77%
B&W Supermart	13.00%	15.50%
PJSI	13.50%	15.77%

Terminal Growth Rate. The long-term rate used to extrapolate the cash flow projections of the acquired investments beyond the period covered by the recent budget excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the cash flow projections. The terminal growth rates used in the cash flow projections for all cash generating units are 5.00% and 3.00% in 2018 and 2017, respectively.

In 2018, the management has identified that a reasonable change of the following assumptions would cause the carrying amount to equal the recoverable amounts of Budgetlane and B&W Supermarkets.

	Revenue Growth Rate	Discount Rate
Budgetlane Supermarkets	12.00%	15.80%
B&W Supermart	19.00%	12.30%

In 2018, the management assessed reasonable changes for other key assumptions and has not identified any that could cause the carrying amounts to exceed the recoverable values of Budgetlane Supermarkets and B&W Supermart. Management believes that any reasonable change in any of the key assumptions would not cause the carrying amounts of the cash generating units for Gant, DCI and FLSTCI, Company E, and PJSI to exceed the recoverable values.

The recoverable amounts of Budgetlane Supermarkets and B&W Supermart are estimated to exceed their carrying amounts as at December 31, 2018 by P63.27 million and P11.33 million, respectively.

b. Trademark and Customer Relationships

This represents the fair value of S&R trade name and customer relationships determined after considering various factors and performing valuation methodologies including the independent valuation study and analysis prepared by an independent valuation specialist.

Impairment of Goodwill, Trademark and Customer Relationships

The recoverable amounts of goodwill, trademark and customer relationships has been determined based on value in use (VIU), using cash flow projections covering a five-year period. It is based on a long range plan approved by management. The VIU is based on a 5.00% terminal growth rate and discount rate of 14.36%. The terminal growth rate used is consistent with the long-term average growth rate for the Group's industry. The discount rate is based on the weighted average cost of capital (WACC) by taking into consideration the debt equity capital structure and cost of debt of comparable companies and cost of equity based on appropriate market risk premium. The financial projection used in the VIU is highly dependent on the gross sales and gross profit margin. For purposes of growth rate sensitivity, a growth rate scenario of 2% and 3% is applied on the discounted cash flow analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill, trademark and customer relationship to exceed its recoverable amount.

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at December 31, 2018 and 2017.

c. Leasehold Rights and Computer Software and Licenses

On January 25, 2013, the Parent Company executed a memorandum of agreement with various lessors, namely, BHF Family Plaza, Inc. (BHF), Lim Y-U Group, Inc., and R&A Malvar Trading Company, Inc. which paved the way for the establishment of five (5) Puregold stores previously owned and operated by these lessors. Under the agreement, the lessors 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 each lessor for a period of twenty (20) years upon compliance of the conditions set forth in the memorandum of agreement. As a result of the transaction, the Parent Company recognized leasehold rights representing the excess of cost paid over the fair value of all assets acquired which will be amortized on a straight-line basis over the lease period.

The movements and balances of leasehold rights and computer software and licenses as at and for the years ended December 31 consist of:

	Computer Software and Licenses	Leasehold Rights
Cost		
Balance, January 1, 2017	P307,050,219	P75,355,005
Additions	29,475,602	-
Balance, December 31, 2017	336,525,821	75,355,005
Additions	39,660,637	-
Balance, December 31, 2018	376,186,458	75,355,005
Accumulated Amortization		
Balance, January 1, 2017	123,764,631	12,937,959
Amortization	35,551,095	3,767,750
Balance, December 31, 2017	159,315,726	16,705,709
Amortization	37,038,056	3,767,751
Balance, December 31, 2018	196,353,782	20,473,460
Carrying Amount		
December 31, 2017	P177,210,095	P58,649,296
December 31, 2018	P179,832,676	P54,881,545

12. Other Noncurrent Assets

This account consists of:

	Note	2018	2017
Security deposits	18, 28, 29	P1,661,386,728	P1,489,124,969
Prepaid rent	18	111,498,354	147,038,053
Accrued rent income	18, 24	29,360,256	34,365,546
Advances to contractors		313,180,198	215,533,529
		P2,115,425,536	P1,886,062,097

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

Accrued rent income pertains to the excess of rent income over billing to tenants in accordance with PAS 17, *Leases*.

13. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2018	2017
Trade	22, 28, 29	P9,287,935,438	P7,709,108,433
Non-trade	22, 28, 29	1,026,916,992	1,406,032,482
Dividends payable	25, 28, 29	-	1,106,152,562
Withholding taxes payable		172,972,526	204,643,491
Accrued expenses:	28, 29		
Manpower agency services		858,326,474	845,268,647
Utilities		170,073,802	160,202,211
Rent		45,509,242	35,399,646
Interest		6,539,491	5,884,247
Professional fees		5,883,110	48,469,465
Fixed asset acquisition	10	1,657,228	2,562,894
Others		100,691,692	89,233,787
		P11,676,505,995	P11,612,957,865

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

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods such as fixed asset acquisitions and structures under construction.

14. Loans Payable

This account consists of:

a. Short-term Loans Payable

The Group entered into the following loan facilities for additional working capital:

	2018	2017
Metrobank	P2,447,500,000	P2,987,500,000
Cosco Capital	900,000,000	300,000,000
BDO	900,000,000	825,000,000
AUB	500,000,000	-
Puregold Finance	8,800,000	-
	P4,756,300,000	P4,112,500,000

Short-term loans are payable from three to twelve months and bear interest from 4.75% to 5.75% and 2.13% to 2.88% in 2018 and 2017, respectively.

The loan proceeds were used for inventory financing and other short-term working capital requirements.

In 2017, Kareila entered into unsecured short-term loans with Cosco at 2.50% interest rate per annum. In 2018, the loan was renewed for another six months at 4.75% interest per annum. An additional loan of P600.00 million was obtained in 2018 at 5.00% interest rate per annum.

b. Long-term Loans Payable

As at December 31, the outstanding loans are as follows:

	Note	2018	2017
Unsecured Peso Denominated			
Fixed rate note based on 6.40%	<i>i</i>	P1,440,000,000	P1,999,204,654
Fixed rate note based on 3.50%	<i>ii</i>	400,000,000	400,000,000
	28, 29	1,840,000,000	2,399,204,654
Less current portion		-	(2,399,204,654)
		P1,840,000,000	P -

- i. On June 13, 2013, the Parent Company issued a P2 billion promissory note to a local bank, which is payable on May 21, 2018 and bears interest at 3.50% per annum. The interest is payable every month.

On May 2, 2018, the Parent Company partially paid the loan and the remaining balance of P1.44 billion was rolled over which is payable after 7 years and bears interest at 6.40% per annum.

The movements in debt issue costs are as follows:

	2018	2017
Balance at beginning of the year	P795,346	P2,903,342
Amortizations	(795,346)	(2,107,996)
Balance at end of year	P -	P795,346

- ii. On July 23, 2013, Kareila signed and executed a P500.00 million unsecured loan agreement with a local bank. The loan shall be repaid in lump sum after 5 years. Its related interest is at 3.50% per annum. In 2015, P100.00 million of the loan was repaid in advance by the Company. The remaining balance of P400.00 million was renewed in 2018 for another 7 years at 6.40% interest rate per annum.

The loans are unsecured and are not subject to any covenants.

	2018				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans including current portion	P1,440,000,000 400,000,000	P1,523,273,143 423,131,429	P13,165,714 3,657,143	P52,662,857 14,628,571	P1,457,444,572 404,845,715

	2017				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans including current portion	P1,999,204,654	P2,069,204,654	P13,976,705	P2,055,227,949	P -

There are no debt covenants for above unsecured loans entered into by the Group.

Interest expense from these loans amounting to P81.73 million, P76.40 million and P75.44 million were capitalized in 2018, 2017 and 2016, respectively and recognized in building and leasehold improvements under property and equipment account (see Note 10). Remaining interest expense that was charged to profit and loss amounted to P174.60 million, P129.70 million and P101.47 million in 2018, 2017 and 2016, respectively.

Changes in liabilities arising from financing activities:

The movements and balances of this account are as follows:

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 13 and 25)	Total
Balance at January 1, 2018	P4,112,500,000	P2,399,204,654	P1,106,152,562	P7,617,857,216
Changes from financing cash flows				
Availment of loans	2,058,800,000	-	-	1,758,800,000
Payment of loans	(1,415,000,000)	(560,000,000)	-	(1,975,000,000)
Payment of dividends	-	-	(1,106,152,562)	(1,106,152,562)
Total changes from financing cash flows	343,800,000	(560,000,000)	(1,106,152,562)	(1,322,352,562)
Other changes				
<i>Liability-related</i>				
Amortization of debt issue costs	-	795,346	-	795,346
Total liability-related changes	-	795,346	-	795,346
Balance at December 31, 2018	P4,756,300,000	P1,840,000,000	P -	P6,296,300,000

15. Other Current Liabilities

This account consists of:

	Note	2018	2017
Deposits	18, 28, 29	P149,238,744	P164,487,790
Unredeemed gift certificates		127,912,876	89,839,889
VAT payable		40,659,413	32,251,259
Loyalty and rewards		11,014,026	85,730,271
Promotion fund		1,835,136	19,996,595
Others	28, 29	4,965,870	29,227,111
		P335,626,065	P421,532,915

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 issued yet unused gift certificates. These will be closed to sales account upon redemption and are due and demandable.

Loyalty and rewards are provided for the point's redemption of "Tindahan ni Aling Puring" and PERKS members. Points are earned upon purchase of participating items and may be used as payments of their purchases which make it due and demandable.

Promotion fund is promotional discount granted for the Group's promotion and advertising activities in partnership with suppliers.

Others include trust receipts payable and cashier's bond withheld from each cashier to compensate for any possible cash shortages in the store.

16. Revenue from Contract with Customers

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

	Note	2018	2017	2016
Sales of goods, net of discounts		P140,918,008,228	P124,491,023,566	P112,589,366,240
Concession Income	19	1,878,358,992	1,647,845,057	1,517,079,129
Revenue from contract with customers		P142,796,367,220	P126,138,868,623	P114,106,445,369

Sale of goods pertain to the net sales recognized in selling the Group's inventories and recognized at a point in time when control of the asset is transferred to the customer, generally upon delivery.

Concession income pertains to the fixed percentage income from sales of concessionaire suppliers' goods sold inside the store. The Group does not, at any point, have control of the goods which are sold. Although the Group transacts with the end-customer, it does not set prices or take inventory risk. The Group acts as an agent in selling to the end-consumer and is receiving a 'commission' in consideration for the service that it is performing for the concessionaire.

The Group recognizes a commission as a percentage of concess sales from the concessionaire as revenue, rather than the gross revenue from the sale of the concessionaire's goods.

There are other promises in the contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated.

The transaction involves the Group committing to two performance obligations: the good purchased; and the rights related to the PERKS loyalty points. The Group allocates customer payments between products sales and loyalty points, based on their relative stand-alone selling prices.

The allocated transaction price of the points earned is recognized as a deferred revenue.

Revenue from the PERKS loyalty points is recognized upon redemption. The Group is unable to determine the number of points that will be used and assumes 100% redemption to ensure that it is not highly probable that there will be a significant reversal of revenue. In this case, management would recognize the revenue allocated to the points on redemption and on expiration of the points.

Total amount of PERKS loyalty points earned amounted to P77.25 million and P57.28 million in 2018 and 2017, respectively.

There are no performance obligations that are unsatisfied or partially unsatisfied as at December 31, 2018 and 2017. There are no assets recognized from the costs to obtain or fulfill a contract with customer.

17. Cost of Sales

This account for the years ended December 31 consists of:

	Note	2018	As Reclassified	
			2017	2016
Beginning inventory	6	P17,696,641,161	P16,487,824,308	P12,982,832,312
Add: Purchases		119,112,857,634	104,223,965,567	96,718,656,245
Total goods available for sale		136,809,498,795	120,711,789,875	109,701,488,557
Less ending inventory	6	19,731,823,439	17,696,641,161	16,487,824,308
		P117,077,675,356	P103,015,148,714	P93,213,664,249

18. Lease Agreements

As Lessee

The Group leases warehouses, parking spaces and certain lands and buildings where some of its stores are situated or constructed. The lease terms range from 5 to 42 years, renewable for the same period under the same terms and conditions. The rent is subject to escalation on the average of 1% to 10%. Rental payments are either fixed monthly or fixed per square meter based on the contracts.

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

Rent expenses included under "Operating expenses" in the consolidated statements of comprehensive income, amounted to P3,064.10 million, P2,714.66 million and P2,515.69 million in 2018, 2017 and 2016, respectively (see Note 20).

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

	2018	2017	2016
Due within one year	P2,351,269,124	P2,241,396,936	P2,057,326,120
Due more than one year but not more than five years	9,568,275,805	9,438,782,266	8,688,301,793
Due more than five years	34,301,805,627	34,377,210,642	32,996,247,728
	P46,221,350,556	P46,057,389,844	P43,741,875,641

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten (1-10) years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 15).

Rent income recognized in profit or loss in 2018, 2017 and 2016 amounted P407.25 million, P388.65 million and P377.28 million, respectively (see Note 19).

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

	2018	2017	2016
Due within one year	P260,144,891	P186,082,674	P213,715,008
Due more than one year but not more than five years	357,317,582	237,501,512	257,952,124
Due more than five years	95,071,499	100,983,790	148,073,465
	P712,533,972	P524,567,976	P619,740,597

19. Other Operating Income

This account consists of:

	Note	2018	2017	2016
Concession income	16	P1,878,358,992	P1,647,845,057	P1,517,079,129
Membership income		513,588,832	452,973,681	399,965,999
Rent income	18	407,251,364	388,645,067	377,280,913
Demo/sampling income		20,189,107	17,206,295	12,869,896
Miscellaneous		121,702,774	185,577,528	121,649,859
		P2,941,091,069	P2,692,247,628	P2,428,845,796

Concession income pertains to the fixed percentage income from sales of concessionaire suppliers' goods sold inside the store.

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

Rent income relates to the income earned for the store spaces occupied by the tenants.

Demo/sampling income pertains to the fee paid by the suppliers for the privilege granted by Kareila in allowing a representative of the supplier to conduct a demo or give away samples of their products inside the selling area of the stores.

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

20. Operating Expenses

This account consists of:

	Note	2018	2017	2016
Rent	18	P3,064,102,476	P2,714,659,830	P2,515,689,827
Manpower agency services		3,343,676,703	2,878,788,171	2,138,731,952
Communication, light and water		2,309,873,902	1,903,212,317	1,675,861,989
Salaries and wages		2,001,440,665	1,732,722,428	1,582,166,197
Depreciation and amortization	10, 11	1,895,646,980	1,639,123,164	1,408,708,815
Security services		906,924,442	887,991,211	841,058,213
Taxes and licenses		760,848,934	642,283,135	531,072,558
Store and office supplies		612,455,879	546,921,912	473,174,985
Concession expense	22	522,618,432	503,476,012	477,641,920
Repairs and maintenance		448,697,475	367,634,094	373,304,387
Advertising and marketing		324,960,422	313,162,379	248,211,832
Janitorial and messengerial services		206,482,215	183,991,134	424,688,008
Insurance		195,043,275	173,781,344	150,498,306
Other selling expenses		174,498,578	160,627,280	146,996,247
Retirement benefits cost	23	163,606,897	147,018,254	119,606,198
SSS/Medicare and HDMF contributions		145,969,132	131,018,960	115,952,911
Representation and entertainment		124,235,532	77,799,912	71,300,463
Transportation		100,711,654	61,816,122	58,414,418
Input VAT allocable to exempt sales		131,256,960	58,423,639	93,802,537
Fuel and oil		80,576,785	57,306,745	45,485,516
Royalty	22	54,342,743	46,331,866	42,220,356
Professional fee		35,001,282	30,844,191	32,461,112
Miscellaneous		237,268,109	206,694,553	140,354,269
		P17,840,239,472	P15,515,628,653	P13,707,403,016

21. Others

This account consists of:

	Note	2018	2017	2016
Gain on sale of investment in joint venture	9	P362,810,262	P -	P -
Gain (loss) on insurance claim		3,351,032	(14,855,363)	-
Dividend income	9	679,505	1,856,196	824,831
Gain on disposal of property and equipment	10	154,310	-	2,031
Foreign exchange loss		(2,881,249)	(122,754)	(435,806)
Unrealized valuation gain (loss) on trading securities	7	(10,385,284)	11,778,850	676,435
Bank charges		(26,747,884)	(20,953,904)	(23,625,331)
		P326,980,692	(P22,296,975)	(P22,557,840)

Gain (loss) on insurance claim represents the excess of (short on) the insurance proceeds received over the cost of the inventories and machineries damaged by flood and fire.

22. 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	Outstanding Balances				Loans (see Note 14)	Due to Related Parties	Terms	Conditions
				Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)				
Parent											
Dividends	2017		P564,137,807	P -	P -	P -	P564,137,807	P -	P -	Due and demandable	Unsecured
Repairs and maintenance	2017	c	39,836	-	39,836	-	-	-	-	Due and demandable	Unsecured
Representation and entertainment	2018	c	47,827	-	47,827	-	-	-	-	Due and demandable	no impairment
	2018	e	600,000,000	-	-	-	900,000,000	-	-		
Loans	2017	e	300,000,000	-	-	-	-	300,000,000	-	Due and demandable	Unsecured;
Interest expense	2017	c	13,031,250	-	-	-	-	-	-	Due and demandable	Unsecured
Insurance	2018	c	13,156	-	13,156	-	-	-	-	Due and demandable	
Other Related Parties*											
Rent	2018	a	808,482,339	-	3,088	-	25,747,668	-	-	Due and demandable	Unsecured;
	2017	a	696,146,148	-	232,455	-	41,960,431	-	-	Due and demandable	no impairment
Concession expense	2018	b	522,618,432	-	-	-	92,395,254	-	-	Due and demandable	Unsecured
	2017	b	503,476,012	-	-	-	172,790,277	-	-	Due and demandable	
Purchase of merchandise	2018	c	2,237,787,289	-	-	504,052,460	-	-	-	Due and demandable	Unsecured
	2017	c	2,093,968,112	-	-	589,760,330	-	-	-	Due and demandable	
Sale of merchandise	2018	c	55,568,081	12,786,493	-	-	-	-	-	Due and demandable	Unsecured;
	2017	c	69,055,889	24,344,715	-	-	-	-	-	Due and demandable	no impairment
Security deposits	2018	c	25,854,101	-	-	-	-	-	-	Due and demandable	Unsecured;
	2017	c	5,435,937	-	-	-	13,099,795	-	-	Due and demandable	no impairment
Repairs and maintenance	2018	c	10,309,072	-	8,340,292	-	15,323	-	-	Due and demandable	Unsecured;
	2017	c	6,681,741	-	4,867,503	-	313,724	-	-	Due and demandable	no impairment
Utilities expense	2018	c	236,456,733	-	5,748,592	-	2,010,376	-	-	Due and demandable	Unsecured;
	2017	c	167,323,201	-	966,401	-	6,910,791	-	-	Due and demandable	no impairment

Forward

Related Party	Year	Note	Amount of Transactions for the Year	Outstanding Balances					Due to Related Parties	Terms	Conditions
				Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)	Loans (see Note 14)			
Advances	2018	c	P -	P -	P116,000,000	P -	P -	P -	P -	- Due and	Unsecured;
	2017	c	-	-	116,000,000	-	-	-	-	- demandable	no impairment
Communications	2018	c	370,597	-	2,793	-	14,251	-	-	- Due and	Unsecured
	2017	c	324,274	-	-	-	6,570	-	-	- demandable	
Management fee	2018	c	13,962,618	-	-	-	2,072,162	-	-	- Due and	Unsecured
	2017	c	11,064,691	-	-	-	1,581,800	-	-	- demandable	
Supplies	2018	c	21,431,727	-	57,933	-	3,307,349	-	-	- Due and	Unsecured
	2017	c	12,206,325	-	18,960	-	2,156,077	-	-	- demandable	
Insurance	2018	c	990,985	-	94,657	-	6,395	-	-	- Due and	Unsecured
	2017	c	1,181,662	-	485	-	14,202	-	-	- demandable	
Taxes and licenses	2018	c	225,981	-	30,376	-	-	-	-	- Due and	Unsecured
	2017	c	228,358	-	3,029	-	70,336	-	-	- demandable	
Fixed asset	2018	c	359,048	-	359,048	-	-	-	-	- Due and	Unsecured
										- demandable	
Employee benefits	2018	c	184,782	-	465	-	-	-	-	- Due and	Unsecured
	2017	c	2,192,102	-	202,755	-	13,817	-	-	- demandable	
Representation and entertainment	2018	c	2,695	-	2,695	-	-	-	-	- Due and	Unsecured
Other Income	2018	c	2,082	-	2,082	-	-	-	-	- demandable	
	2017	c	224,051	-	224,051	-	-	-	-		
Loans	2018		8,800,000	-	-	-	-	-	-		
Key Management Personnel											
Royalty expense	2018	d	54,342,743	-	-	-	-	-	43,474,532	- Due and	Unsecured
	2017	d	46,331,866	-	-	-	-	-	37,065,831	- demandable	
Rent expense	2018	a	23,208,327	-	-	-	-	-	-		
	2017	a	22,532,356	-	-	-	-	-	-		
Short-term benefits	2018		34,208,308	-	-	-	-	-	-		
	2017		121,742,192	-	-	-	-	-	-		
Total	2018			P12,786,493	P130,703,004	P504,052,460	P1,025,568,778	P -	P43,474,532		
Total	2017			P24,344,715	P122,555,475	P589,760,330	P803,055,627	P300,000,000	P37,065,831		

*Other related parties pertain to entities under common control.

a. Lease of Building

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

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 four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

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

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

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

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

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of 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.

c. Other Significant Transactions

These pertain to purchases and sale of merchandise, rent income, security deposits paid, repairs and maintenance, utilities, communications, taxes and licenses, cash advances granted to related parties, management fee supplies, insurance, fixed asset, communications, presentations and entertainment and employee benefits which are unsecured, noninterest-bearing and due and demandable. The Group has not made any allowance for impairment losses relating to receivables from related parties as at December 31, 2018 and 2017. This assessment is undertaken annually by management through examination of the financial position of related parties and the market in which they operate.

d. Royalty Agreement

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

e. Loans

As discussed in Note 14, Kareila entered into unsecured short - term loans with Cosco amounting to P900.00 million and P300.00 million in 2018 and 2017, respectively. These loans are to be settled in cash upon its maturity.

The Parent Company entered into unsecured short-term loan with Puregold Finance amounting to P8.80 million for 2018.

- f. A stockholder has granted the Parent Company the right to use the trademark used in the stores of KMC as part of the sale of KMC to the Parent Company (Note 11).

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

Related Party Transactions and Balances Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation are as follows:

- a. Sales from the Parent Company to the subsidiaries:

	2018	2017
Sales	P789,173	P6,632,929

- b. Receivables from Parent Company to the subsidiaries:

	2018	2017
Receivables	P10,016,237	P11,260,418

Receivables from subsidiaries are unsecured, non-interest bearing and are payable on demand.

- c. Dividend Receivables of the Parent Company from KMC and PSI:

	Amount of Transaction	2018	2017
KMC	P475,000,000	P475,000,000	P475,000,000
Subic	-	-	200,000,000
		P475,000,000	P675,000,000

23. Retirement Benefits Liability

The Parent Company and its subsidiaries has unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2018. Valuations are obtained on a periodic basis.

Salient Provisions of the Retirement Plan

Normal Retirement (Minimum Retirement Law, RA 7641)

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

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

	2018	2017
Present value of defined benefit obligation	P504,207,438	P564,085,747
Fair value of plan assets	(25,711,784)	(25,912,570)
Retirement benefits liability	P478,495,654	P538,173,177

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

	2018	2017
Balance at January 1	P564,085,747	P494,733,328
Included in Profit or Loss		
Current service cost	132,931,025	121,772,174
Interest cost	32,152,888	26,616,653
	165,083,913	148,388,827
Included in other Comprehensive Income		
Remeasurements gain:		
Actuarial gain arising from:		
Financial assumptions	(343,324,419)	(39,549,415)
Experience adjustment	118,362,197	(39,486,993)
	(224,962,222)	(79,036,408)
Balance at December 31	504,207,438	P564,085,747

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

	2018	2017
Beginning of the year	P25,912,570	P25,475,333
Interest income	1,477,016	1,370,573
Remeasurement loss	(1,677,802)	(933,336)
End of the year	P25,711,784	P25,912,570

The movements of actuarial losses, before deferred income taxes recognized in other comprehensive income are as follows:

	2018	2017
Remeasurements of retirement liability at beginning of year	(P167,393,168)	(P89,290,096)
Actuarial gain on defined benefit obligation	(223,258,703)	(78,103,072)
Remeasurements of retirement liability at end of year	(P390,651,871)	(P167,393,168)

The cumulative remeasurements of retirement benefits liability, net of deferred income taxes, amounted to P273.74 and P117.31 million as at December 31, 2018 and 2017, respectively, as presented in the consolidated statements of changes in equity.

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

	2018	2017
Cash in banks	P1,810,041	P2,032,605
Debt instruments - government bonds	23,657,118	23,648,111
Trust fees payable	(12,770)	(13,059)
Other	257,395	244,913
	P25,711,784	P25,912,570

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

	2018	2017
Discount rate	7.53%	5.70%
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 at the end of the reporting period is 26.3 years.

Sensitivity Analysis

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

2018

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

2017

	Increase	Decrease
Discount rate (1% movement)	(P105,136,263)	P134,997,650
Future salary increase rate (1% movement)	123,240,684	(99,204,506)

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.

Funding Arrangements

Since the Group does not have a formal retirement plan, funding to the plan are paid by the Group when needed.

Maturity analysis of the benefit payments:

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

	2017				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P564,085,747	P123,425,704	P23,214,858	P19,300,587	P80,910,259

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

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

24. Income Taxes

The components of income tax expense are as follows:

	2018	2017	2016
Current tax expense	P2,803,076,753	P2,695,668,770	P2,550,889,317
Deferred tax benefit	(177,691,296)	(151,756,477)	(159,755,419)
	P2,625,385,457	P2,543,912,293	P2,391,133,898

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss for the years ended December 31 is as follows:

	2018	2017	2016
Income before income tax	P9,145,105,784	P8,384,124,086	P7,917,364,304
Income tax expense at the statutory income tax rate:			
30%	P2,703,646,725	P2,484,009,752	P2,346,271,597
5%	6,647,502	5,204,579	4,822,949
Income tax effects of:			
Non-deductible other expenses	33,338,989	61,012,515	41,414,061
Non-deductible interest expense	4,131,612	2,279,372	1,312,588
Dividend income exempt from tax	(203,852)	-	-
Changes in unrecognized DTA/DTL	1,132,924	1,245,452	962,164
Other income subjected to final tax	(113,081,284)	(556,859)	(247,449)
Interest income subjected to final tax	(10,227,159)	(5,748,862)	(3,402,012)
Non-taxable income	-	(3,533,656)	-
	P2,625,385,457	P2,543,912,293	P2,391,133,898

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

	2018		2017	
	Amount	DTA (DTL)	Amount	DTA (DTL)
Accrued rent expense*	P3,667,726,623	P1,100,317,987	P3,239,251,146	P971,775,344
Retirement benefits liability	893,142,763	267,942,829	730,176,907	218,704,955
NOLCO	-	-	15,367,497	4,610,249
Allowance for impairment losses on receivables	7,462,327	2,238,698	7,462,327	2,238,698
Recognition of DTA due to Merger	389,731	116,919	389,731	116,919
DTA	4,568,721,444	1,370,616,433	3,992,647,608	1,197,446,165
Fair value of intangible assets from business combination	(4,599,113,528)	(1,379,734,058)	(4,599,113,528)	(1,379,734,058)
Actuarial gains	(390,677,587)	(117,203,276)	(167,393,168)	(50,079,841)
Accrued rent income	(29,360,256)	(8,808,077)	(34,365,544)	(10,309,662)
DTL	(5,019,151,371)	(1,505,745,411)	(4,800,872,240)	(1,440,123,561)
Net	(P450,429,927)	(P135,128,978)	(P808,224,632)	(P242,677,396)

*Excluding accrued rent expense 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.

25. Equity

Capital Stock and Additional Paid-in Capital

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

	2018	2017	2016
Authorized - 3,000,000,000 shares (P1 par value)			
Issued and outstanding			
Balance at beginning of year	2,785,362,877	2,785,362,877	2,785,362,877
Issuances during the year	14,551,209	-	-
Balance at end of year	2,799,914,086	2,785,362,877	2,785,362,877

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

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

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

As at December 31, 2018 and 2017, the Parent Company has 40 stockholders with at least one board lot at the PSE, for a total of 2,799,914,086 and 2,785,362,877 (P1.00 per share par value) issued and outstanding common shares, respectively.

Treasury Stock

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

	2018	2017	2016
Balance at beginning of year	19,981,471	19,981,471	19,981,471
Additions	14,551,209	-	-
Balance at end of year	34,532,680	19,981,471	19,981,471

On February 26, 2013, the SEC approved the application for merger of the Parent Company, PJSI and Gant. As a consideration for the said merger, the Parent Company issued shares of stocks equivalent to 16,911,162 shares at P26.55 per share. Considering that the ultimate owner of PJSI and Gant is the Parent Company, the shares issued were recognized as treasury stock.

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

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

On November 22, 2017, SEC approved the application of the merger of Parent Company, Goldtempo Group Incorporated, Daily Commodities, Inc., and First Lane Super Traders Co., Inc. As a consideration for the merger, the Parent Company issued shares of stocks equivalent to 14,551,209 shares at P39.00 per share. Considering that the ultimate owner is the Parent Company, the shares issued were recognized as treasury stock in the consolidated financial statements.

Retained Earnings

On December 22, 2016, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.10 per share on record date of January 12, 2017 and payment date of January 20, 2017. The total amount of dividends is P829.61 million.

On December 15, 2017, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of January 2, 2018 and payment date of January 26, 2018. The total amount of dividends is P1,106.15 million.

No dividends were declared in 2018.

On December 21, 2016, KMC's BOD approved an appropriation of retained earnings amounting to P2.7 billion to finance the construction of four (4) 'S&R Membership Shopping' stores and twelve (12) 'S&R New York Style Pizza' quick service restaurants (QSRs). In 2017, the said appropriation was reversed.

On December 15, 2017, KMC's BOD approved an appropriation of retained earnings amounting to P4.7 billion to finance the construction of six (6) new stores and twelve (12) QSRs.

26. Segment Information

The Group operates through stores in several locations. The combined financial statements of all stores is reviewed by the Chief Operating Decision Maker on a monthly basis and assesses the Group's profitability and financial position of the whole retail business. The nature of products, class of customers, and regulatory environment is the same for all the stores.

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

27. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	2018	2017	2016
Net income (a)	P6,519,720,327	P5,840,211,793	P5,526,230,406
Weighted average number of ordinary shares (b)	2,765,381,406	2,765,381,406	2,765,381,406
Basic/diluted EPS (a/b)	P2.36	P2.11	P2.00

As at December 31, 2018, 2017 and 2016, the Group has no dilutive debt or equity instruments.

28. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

	<i>Note</i>	2018	2017
Cash in banks and cash equivalents	4	P9,511,096,499	P7,153,665,988
Receivables - net	5	4,789,798,078	4,569,341,716
Security deposits*	12	1,661,386,728	1,489,124,969
		P15,962,281,305	P13,212,132,673

**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, 2018				
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P9,511,096,499	P -	P -	P9,511,096,499
Security deposits	1,661,386,728	-	-	1,661,386,728
Receivables - net	4,789,798,078	-	-	4,789,798,078
	P15,962,281,305	P -	P -	P15,962,281,305

As of December 31, 2017				
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P7,153,665,988	P -	P -	P7,153,665,988
Security deposits	1,489,124,969	-	-	1,489,124,969
Receivables - net	4,569,341,716	-	-	4,569,341,716
	P13,212,132,673	P -	P -	P13,212,132,673

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

- Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.
- Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.
- Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

The aging of receivables - net at the reporting date are as follows:

	2018		2017	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P2,930,178,205	P -	P3,175,206,725	P -
Past due 1-30 days	955,111,912	-	631,452,179	-
Past due 31-60 days	420,908,784	-	249,645,750	-
More than 60 days	491,061,504	7,462,327	513,037,062	7,462,327
	P4,797,260,405	P7,462,327	P4,569,341,716	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, 2018					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P11,503,533,469	P11,503,533,469	P11,503,533,469	P -	P -
Short-term loans payable	4,756,300,000	4,456,300,000	4,456,300,000	-	-
Due to related parties	43,474,532	43,474,532	43,474,532	-	-
Long-term debt including current portion	1,840,000,000	1,946,404,572	16,822,857	67,291,428	1,862,290,287
Other current liabilities**	154,204,614	154,204,614	154,204,614	-	-
Noncurrent accrued rent	3,692,167,535	3,692,335,478	128,329,117	456,123,294	3,107,883,067

*excluding statutory payables to the government

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

As at December 31, 2017					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P11,408,314,374	P11,408,314,374	P11,408,314,374	P -	P -
Short-term loans payable	4,112,500,000	4,112,500,000	4,112,500,000	-	-
Due to related parties	37,065,831	37,065,831	37,065,831	-	-
Long-term debt including current portion	2,399,204,654	2,476,014,178	420,786,229	2,055,227,949	-
Other current liabilities**	189,624,195	189,624,195	189,624,195	-	-
Noncurrent accrued rent	3,260,616,193	3,260,616,193	-	490,291,306	2,770,324,887

*excluding statutory payables to the government

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk since its short and long-term loans with fixed rates are carried at amortized cost. The Group's policy is to obtain the most favorable interest available without increasing its foreign currency exchange exposure.

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

	2018	2017	2016
Financial assets (cash deposits):			
Cash in banks	P2,327,340,011	P1,595,422,919	P1,457,275,840
Money market placements	7,183,756,488	5,558,243,069	4,086,422,099
	P9,511,096,499	P7,153,665,988	P5,543,697,939

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P13.96 million, P10.02 million and P7.76 million, for the years ended December 31, 2018, 2017 and 2016, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% interest rate and on the basis that all other variables remain constant.

Other Market Price Risk

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

Capital Management

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

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

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

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

The Group is not subject to externally imposed requirements.

29. Financial Instruments

The carrying amounts of Group's financial instruments approximate their fair values as at December 31, 2018 and 2017.

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

Cash and Cash Equivalents, Receivables and Security Deposits

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

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

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

Accounts Payable and Accrued Expenses, Short-term Loans, Due to Related Parties and Other Current Liabilities

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

Long-term Loans including Current Maturities

The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Effective rates used in 2018 and 2017 range from 3.50% to 6.40% and 2.00% to 3.50%, respectively.

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, 2018 and 2017, the Group's investment in financial assets measured at FVPL and FVOCI were measured based on Level 1 and Level 3 classification, respectively.

As at December 31, 2018 and 2017, the Group has not introduced any movement among Levels 1, 2 and 3 classifications.



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

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Puregold Price Club, Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2018, on which we have rendered our report dated March 29, 2019.

- Supplementary Schedules of Annex 68-E
- Map of Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Reconciliation of Retained Earnings Available for Dividend declaration of the Company

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information in the accompanying Schedule of Philippine Financial Reporting Standards and Interpretations is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, 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.

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 Partner
 CPA License No. 0095177
 SEC Accreditation No. 1387-AR-1, Group A, valid until May 31, 2020
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 Issued October 18, 2016; valid until October 17, 2019
 PTR No. MKT 7333616
 Issued January 3, 2019 at Makati City

March 29, 2019
 Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND
INTERPRETATIONS
Effective as at December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation		✓	
	Amendments to PFRS 3: Definition of a Business		✓	
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases		✓	
PFRS 17	Insurance Contracts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
	Amendments to PAS 19: Plan Amendment, Curtailment or Settlement			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
	Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 23 - Borrowing costs eligible for capitalization			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

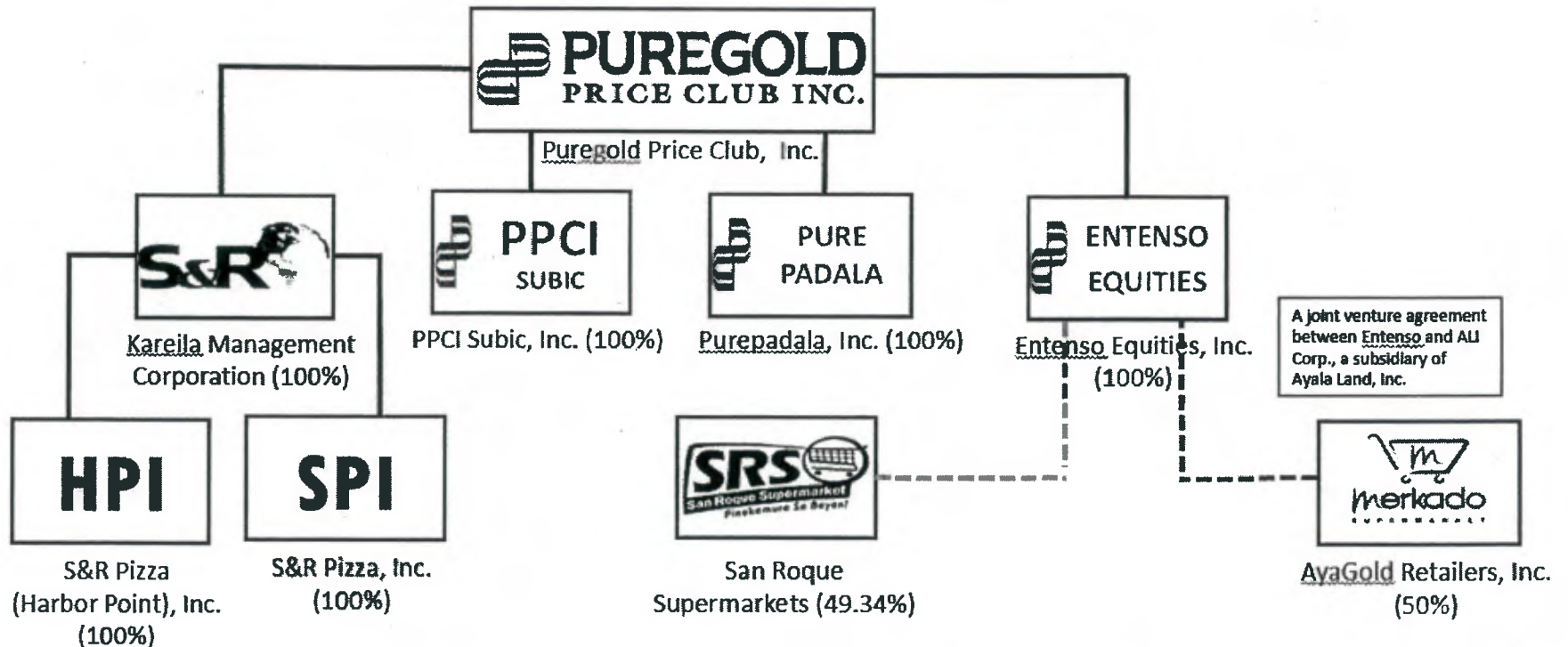
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				✓
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				✓
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-03	Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures			✓
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees			✓
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test	✓		
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓
PIC Q&A 2018-11	Classification of land by real estate developer			✓
PIC Q&A 2018-12	PFRS 15 implementation issues affecting the real estate industry			✓
PIC Q&A 2018-13	Conforming Changes to PIC Q&As - Cycle 2018			✓
PIC Q&A 2018-14	PFRS 15 - Accounting for Cancellation of Real Estate Sales			✓
PIC Q&A 2018-15	PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current	✓		
PIC Q&A 2018-16	PFRS 13 - Level of fair value hierarchy of government securities using Bloomberg's standard rule on fair value hierarchy			✓
PIC Q&A 2019-01	Accounting for service charges under PFRS 15, Revenue from Contracts with Customers			✓
PIC Q&A 2019-02	Accounting for cryptographic assets			✓

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Map of Group of Companies Within which the Company Belongs
As at December 31, 2018



Legend:

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

Notes:

Purepadala, Inc. — Recently incorporated in October 2018

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

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

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

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued
Cash in banks and cash equivalents	N/A	P9,511,096,499	P10,659,149,075	P29,920,000*
Receivables – net	N/A	4,789,798,078	4,789,798,078	
Security Deposits	N/A	1,661,386,728	1,661,386,728	-
Financial assets at FVOCI	726,166	7,879,160	7,879,160	679,505**
Investment in trading securities	1,002,192	36,502,592	36,502,592	(10,385,284)***
	P1,728,358	P16,006,663,057	P16,006,663,057	P27,704,030

Notes:

*This represents interest income earned, net of final tax

**This represents dividend income

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

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

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

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

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

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

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
Kareila Management Corporation	P675,000,000	P475,000,000	P675,000,000	P -	P475,000,000	P -	P475,000,000

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
Goodwill	P14,902,423,321	P -	P -	P -	P -	P14,902,423,321
Trademark	3,709,660,547	-	-	-	-	3,709,660,547
Customer Relationships	889,452,981	-	-	-	-	889,452,981
Computer software and licenses - net	179,832,676	-	-	-	-	179,832,676
Leasehold rights	54,881,545	-	-	-	-	54,881,545
	P19,736,251,070	P -	P -	P -	P -	P19,736,251,070

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

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	Metropolitan Bank and Trust Company	P1,440,000,000	P -	P1,440,000,000	6.4%	N/A	
Long-term debt	Metropolitan Bank and Trust Company	400,000,000	P -	400,000,000	3.5%	N/A	
Totals		P1,840,000,000	P -	P1,840,000,000			

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

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

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
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NOT APPLICABLE

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

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

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE H. CAPITAL STOCK

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of treasury common shares	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	3,000,000,000	2,785,362,877	(34,532,680)	2,327,458,179	452,405,866	5,498,832
Totals	3,000,000,000	2,785,362,877	(34,532,680)	2,327,458,179	452,405,866	5,498,832

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

	Years Ended December 31	
	2018	2017
Current ratio (Current assets over current liabilities)	2.07:1	1.61:1
Solvency ratio (Profit plus depreciation and amortization over total liabilities)	.35:1	.32:1
Bank debt-to-equity ratio (Bank debt over total equity)	0.03:1	0.03:1
Asset-to-equity ratio (Total assets over total equity)	1.43:1	1.49:1
Interest rate coverage ratio (Profit before interest and taxes over interest expense)	53.38:1	63.64:1
Operating profit margin (Operating profit over net sales)	16.92%	17.25%
Net profit margin (Profit over net sales)	4.63%	4.69%

PUREGOLD PRICE CLUB, INC.
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning	P16,677,133,812
Adjustments in previous year's reconciliation	(997,892,260)
Unappropriated Retained Earnings, as adjusted, beginning	15,679,241,552
Net Income based on the face of audited financial statements	4,137,722,883
Less: Non-actual/unrealized income net of tax	
Equity in net income of associates	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	P -
Equity in net income of a joint venture	-
Deferred tax benefit	137,659,083
Fair value adjustments (M2M gains)	(10,385,284)
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	127,273,799
Add: Non-actual losses	
Deferred tax expense	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actually earned during the period	4,264,996,682
Add (Less):	
Dividends declared and paid during the year	-
Appropriations of Retained Earnings during the year	-
Treasury shares	-
Unappropriated Retained Earnings, as adjusted, ending	P19,944,238,234

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **EDGARDO G. LACSON**, Filipino, of legal age and resident of 102 Molave St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Puregold Price Club, Inc. and have been its independent director since May 2012.

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
MIS Maritime Corporation	President	1992 – present
MIL Export Philippines, Inc.	Chairman	1987 – present
Metrostores, Inc.	Chairman	2002 – present
Marine Industry Supply Corp.	President	1985 – present
Safe Seas Shipping Agency Co., Inc.	President	1996 – present
EML Realty	Treasurer	1992 – present
Link Edge	Managing Director	2006 – present
Global Ferronickel Holdings, Inc.	Independent Director	2016 – present
Employers Confederation of the Philippines	Chairman	2016 – present; past president (2010-2016)
Phil Chamber of Commerce & Industry	Director	2006-present; past president (2008-2010)
The Philippine Stock Exchange	Director	2011 – 2017
Management Association of the Philippines	Member	2009 – present
De La Salle University	Trustee	2011 – present
Philippine Nippon Kaiji Kyokai	Member (Philippine Technical Committee)	1998 – present
Philippine Interisland Shipping Association (PISA)	Trustee	1994 – present
Philippine Petroleum Sea Transport Association (PHILPESTA)	Trustee	1994 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director Puregold Price Club, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rule and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)



NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with government agency or GOCC) I have the required written permission or consent from the (head of agency/department) to be an independent director in _____, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Governance and other SEC issuances.

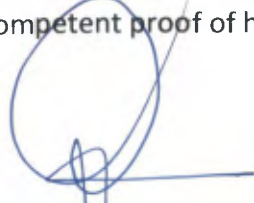
8. I shall inform the Corporate Secretary of Puregold Price Club, Inc. of any changes in the above-mentioned information within five days from its occurrences.

Done this 10 APR 2019 day of April 2019 in the City of Manila.


EDGARDO G. LACSON
 Affiant

SUBSCRIBED AND SWORN to before me this 10 APR 2019 day of April 2019 in the City of Manila, affiant personally appeared before me and exhibited to me competent proof of his identity.

Doc. No. 177 ;
 Page No. 97 ;
 Book No. XII ;
 Series of 2019.


CAROLINE G. EXCONDE
 Notary Public for the City of Manila
 Commission No. 2018-035 until Dec. 31, 2019
 Roll No. 55392 / 05-02-2008
 IBP No. 097712 / 01-04-2019
 PTR No. 8023126 / Manila 01-03-2019
 MCLE Compliance No. V-0014291 / 02-16-2016
 No. 900 Romualdez St., Paco, Manila 1007

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **MARILYN V. PARDO**, Filipino, of legal age and resident of No. 704 Acacia Avenue, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Puregold Price Club, Inc.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Asian Holdings Corporation	Chairman & CEO	1980
Downtown Properties, Inc.	Chairman & CEO	1996
Casa Catalina Corporation	Chairman & CEO	2000
Catalina Commercial Properties, inc.	Chairman & CEO	2000

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director Puregold Price Club, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rule and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Jose T. Pardo	Philippine Stock Exchange	Husband
Jose T. Pardo	Securities Clearing Corp. of the Philippines	Husband
Jose T. Pardo	Philippine Seven Corp.	Husband
Jose T. Pardo	Philippine Savings Bank	Husband
Jose T. Pardo	Bank of Commerce	Husband
Jose T. Pardo	National Grid Corporation of the Philippines	Husband
Jose T. Pardo	ZNN Radio Veritas	Husband
Jose T. Pardo	Araneta Hotels, Inc.	Husband
Jose T. Pardo	Monte Oro Grid Resources Corporation	Husband
Jose T. Pardo	League One Finance and Leasing Corporation	Husband



5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding. I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

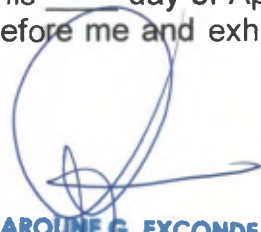
6. (For those in government service/affiliated with government agency or GOCC) I have the required written permission or consent from _____ to be an independent director in _____ pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. **(NOT APPLICABLE)**
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Puregold Price Club, Inc. of any changes in the above-mentioned information within five days from its occurrences.

Done, this 10 APR 2019 day of April 2019 in the City of Manila.


MARILYN V. PARDO
Affiant

SUBSCRIBED AND SWORN to before me this 10 APR 2019 day of April 2019 in the City of Manila, affiant personally appeared before me and exhibited to me competent proof of her identity.

Doc. No. 176 ;
Page No. 97 ;
Book No. XII ;
Series of 2019.


CAROLINE G. EXCONDE
Notary Public for the City of Manila
Commission No. 2018-035 until Dec. 31, 2019
Roll No. 55392 / 05-02-2008
IBP No. 097712 / 01-04-2019
PTR No. 8023126 / Manila 01-03-2019
MCLE Compliance No. V-0014291 / 02-16-2016
No. 900 Romualdez St., Paco, Manila 1007

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **JAIME S. DELA ROSA**, Filipino, of legal age and resident of 308 Agno St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Puregold Price Club, Inc.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
N/A	N/A	N/A

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director Puregold Price Club, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rule and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with government agency or GOCC) I have the required written permission or consent from _____ to be an independent director in _____ pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. **(NOT APPLICABLE)**
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Governance and other SEC issuances.

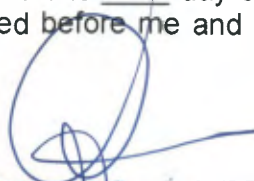
8. I shall inform the Corporate Secretary of Puregold Price Club, Inc. of any changes in the above-mentioned information within five days from its occurrences.

Done, this 10 **APR 2019** day of April 2019 in the City of Manila.


JAIME S. DELA ROSA
Affiant

SUBSCRIBED AND SWORN to before me this 10 **APR 2019** day of April 2019 in the City of Manila, affiant personally appeared before me and exhibited to me competent proof of his identity.

Doc. No. 175,
Page No. 96,
Book No. XI,
Series of 2019.


CAROLINE G. EXCONDE
Notary Public for the City of Manila
Commission No. 2018-035 until Dec. 31, 2019
Roll No. 58302 / 05-02-2008
IBP No. 09702 / 01-04-2019
PTR No. 8023126 / Manila 01-03-2019
MCLE Compliance No. V-0014291 / 02-16-2016
No. 900 Romualdez St., Paco, Manila 1007