



April 6, 2022

Securities and Exchange Commission

PICC Complex, Roxas Boulevard, Pasay City

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

Philippine Stocks Exchange

6/F, PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

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

Gentlemen:

For submission is the attached Preliminary Information Statement (SEC Form 20-IS) of Puregold Price Club, Inc. for its forthcoming Annual Stockholders' Meeting scheduled on May 10, 2022, Tuesday, 10 am, following the Company's Bylaws.

Thank you.

Very truly yours,


CANDY H. DACANAY – DATUON
Assistant Corporate Secretary

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

CANDY H. DACANAY-DATUON	(632) 8522-8801 to 04
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(Contact Person)

(Company Telephone Number)

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Month

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SEC FORM 20-IS

(Form Type)

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Month

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(Secondary License Type, If Applicable)

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowing	

Domestic

Foreign

SEC Personnel concerned

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STAMPS

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
[x] Preliminary Information Statement
[] Definitive Information Statement
2. Name of Registrant as specified in its charter:
Puregold Price Club, Inc.
3. **No. 900 Romualdez St., Paco, Manila**
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: **A199803754**
5. BIR Tax Identification Code: **201-277-095**
6. **No. 900 Romualdez St., Paco, Manila** **1007**
Address of principal office Postal Code
7. Registrant's telephone number, including area code: **02-8523-3055**
8. **May 10, 2022, Tuesday, 10 am, Via Zoom Online Meeting**
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 12, 2022**
10. In case of Proxy Solicitations: **We are not asking for Proxy Solicitations.**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt
Common Share	2,881,637,615
12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes [x] No []

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange, common shares**

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Our Stockholders:

Please be informed that the Annual Stockholders' Meeting of **PUREGOLD PRICE CLUB, INC.** will be on **May 10, 2022, 10:00 am, via Zoom Online Meeting.**

AGENDA

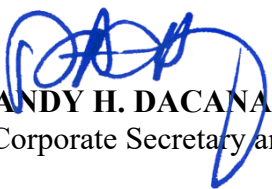
1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2021
4. Annual Report and Approval of the 2021 Audited Financial Statements
5. Election of Regular Directors and Independent Directors
6. Re-appointment of External Auditor and fixing its remuneration
7. Other Matters
9. Adjournment

Only stockholders on record as of March 25, 2022 are entitled to notice and vote in the meeting.

Considering the ongoing COVID 19 pandemic, the stockholders may only participate in the meeting by remote communication, *in absentia*, or by appointing the Chairman of the meeting as their proxy. The requirements and procedures for participating *in absentia* or remote communication will be available in the Information Statement. The Information Statement will be accessible on the company website www.puregold.com.ph starting April 20, 2022.

The stockholders who are attending by proxies should e-mail their duly accomplished proxies to corporate.governance@puregold.com.ph on or before April 29, 2022. The company's stock transfer agent will validate the votes on May 2, 2022, 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

Manila, Philippines, April 6, 2022.


ATTY. CANDY H. DACANAY – DATUON
Assistant Corporate Secretary and Compliance Officer

EXPLANATION OF AGENDA ITEMS

1. Call to Order

The Chairman of the meeting, Mr. Lucio L. Co, will welcome the stockholders and formally open the meeting at 10:00 am.

2. Certification of Notice and Quorum

The Assistant Corporate Secretary, Atty. Candy H. Dacanay - Datuon, will certify that notice of the meeting to stockholders were posted in the Philippine Stock Exchange Edge platform and duly published in accordance with the Notice of the Securities and Exchange Commission dated February 16, 2022. She will also certify that there is a quorum to transact business in the meeting.

3. Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management

The result of the last Annual Meeting is posted on the company website. A resolution presenting the said Minutes and the ratification of the acts and resolutions of the Board of Directors and Management since the last stockholders' meeting will be presented to the stockholders for approval.

4. Annual Report and Approval of the 2021 Consolidated Audited Financial Statements

A video presentation will be shown to the stockholders to present the company's 2021 Annual Report and Consolidated Audited Financial Statements to the stockholders. A resolution ratifying the Annual Report and the 2021 Consolidated Audited Financial Statements will be presented to the stockholders for their approval.

5. Election of Regular and Independent Directors

The Chairman of the meeting will announce the names of the nominees for the election of directors and will open the floor for stockholders' voting. The nominees for regular directors are:

- a. Mr. Lucio L. Co
- b. Mrs. Susan P. Co
- c. Mr. Ferdinand Vincent P. Co
- d. Ms. Pamela Justine P. Co
- e. Mr. Leonardo B. Dayao
- f. Mr. Jack Huang

Following the last year's stockholders' approval to declare independent directors' eligibility, Mr. Edgardo Lacson and Mrs. Marilyn Pardo to be nominated and elected as independent directors for 2022-2023 despite the lapse of their 9-year term as independent directors. The nominees for independent directors are:

- a. Mr. Edgardo Lacson
- b. Mrs. Marilyn Pardo
- c. Mr. Jaime Dela Rosa

The profile of the nominees will be provided in the Information Statement.

6. Re-appointment of External Auditor and fixing its remuneration

A resolution for the re-appointment of R.G. Manabat & Company (KPMG) and its proposed remuneration of up to P5.7 million as External Auditor of the company and its subsidiaries will be presented to the stockholders for approval.

7. Other Matters

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

PART 1: INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

- (a) May 10, 2022, 10:00 AM, via Zoom Meeting
Principal Office: No. 900 Romualdez St., Paco, Manila 1007
- (b) The Information Statement will be available on the company's website www.puregold.com.ph beginning on April 20, 2022.

We are not asking for a proxy, and you are requested not to send us a proxy.

Item 2. Dissenters' Right of Appraisal

There are no matters or actions to be taken up at the meeting that may give rise to a possible exercise by stockholders of their appraisal rights under Section 80 Title X of the Revised Corporation Code of the Philippines.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No director, officer, nominee or any associate of the foregoing person has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election or appointment to office.
- (b) No director, officer, nominee or any associate of the foregoing person has informed the company in writing that he intends to oppose any action to be taken by the company at the meeting and indicate the action which he intends to oppose.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders

- (a) Number of outstanding shares as of March 25, 2022:
2,881,637,615 common shares

Number of votes entitled: one (1) vote per share
- (b) All stockholders on record as of March 25, 2022 shall be entitled to vote in the meeting.
- (c) Section 23 of the Revised Corporation Code states that stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation as of record date. The said stockholder may: (a) vote such number of shares for as many as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be

elected multiplied by number of shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit. Provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number directors to be elected.

On December 21, 2021 special board meeting of the company, the board allowed the stockholders to attend and vote *in absentia*, details of which are provided in the notice of the meeting.

(d) Security Ownership of Certain Beneficial Owners and Management

1. Security ownership of more than 5% of the stock of the company as of March 25, 2022:

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

2. Security Ownership of Directors and Executive Officers of the company as of March 25, 2022:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Lucio L. Co Chairman	Direct	Filipino	211,088,022	7.33%
Common	Susan P. Co Vice-Chairman	Direct	Filipino	178,242,585	6.19%

Common	Ferdinand Vincent P. Co President	Direct	Filipino	26,709,460	0.93%
Common	Leonardo B. Dayao Executive Director	Direct	Filipino	779,925	0.03%
Common	Pamela Justine P. Co Executive Director	Direct	Filipino	26,709,460	0.93%
Common	Jack Huang Non-Executive Director	Direct	Filipino	15,000	0.00%
Common	Edgardo G. Lacson Independent Director	Direct	Filipino	1	0.00%
Common	Marilyn V. Pardo Independent Director	Direct	Filipino	1	0.00%
Common	Jaime Dela Rosa Independent Director	Direct	Filipino	1	0.00%

3. Mr. and Mrs. Lucio and Susan Co do not have any voting trust agreement for their ownership of more than 5% of the stock of the company.
4. There has been no change in control of the company in the last fiscal period.
5. Foreign ownership level as of March 25, 2022:

563,018,547 common shares or 19.54% of the outstanding capital stock

Item 5. Directors and Executive Officers

- (a) Presented below are the business profiles of the company's Directors, Executive Officers and Key Officers.

(i) Directors

The board of directors of the company is composed of nine members, six are male, and three are female, and one board consultant. No director of the company concurrently serves as a director in five or more listed companies. All the directors are nominees to be re-elected in the stockholders' meeting.

The directors' business profiles are as follows:

(1) Lucio L. Co, Filipino, 67 years old, Chairman

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

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

He is also the Chairman of Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc.,

Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc.

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

Mr. Co holds positions in other PSE listed companies: Chairman of Cosco Capital, Inc., Director of Philippine Bank of Communications, and Chairman of The Keepers Holdings, Inc.

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

(2) Susan P. Co, Filipino, 64 years old, Vice-Chairman

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

Mrs. Co concurrently holds the following positions in other companies: Chairman and President of Cosco Price, Inc., Chairman of Tower 6789 Corporation and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Kareila Management Corporation, KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Patagonia Holdings Corp., PPCI Subic, Inc., Premier Wine and Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Union Energy Corporation and Union Equities, Inc.

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

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

(3) Ferdinand Vincent P. Co, Filipino, 40 years old, President

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

Mr. Vincent Co concurrently holds the following positions: Chairman and President of Alerce Holdings Corp., Blue Ocean Foods, Inc., Forbes Corporation, Invesco Company, Inc., KMC Realty Corporation, League One, Inc., PPCI Subic Inc., Patagonia Holdings Corp., Purepadala, Inc., and VFC Land Resources, Inc.; Chairman of Pure Commerce, Inc.; President of Ayagold Retailers, Inc., Entenso Equities, Inc., and Union Equities, Inc.; Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Cosco Price, Inc., Ellimac

Prime Holdings, Inc., Fertuna Holdings Corp., Meritus Prime Distributions, Inc., P.G. Holdings, Inc., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City Power Corp., Tower 6789 Corporation and Union Energy Corporation.

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

(4) Pamela Justine P. Co, Filipino, 37 years old, Director

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

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

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

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

(5) Leonardo B. Dayao, Filipino, 78 years old, Director

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

He is also the Chairman and President of Fertuna Holdings Corp., Chairman of Catuiran Hydropower Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Kareila Management Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc., S&R Pizza, (Harbor Point) Inc., S&R Pizza, Inc., Vice-Chairman of Ayagold Retailers, Inc., President of Alcorn Petroleum and Minerals Corporation, K4 Water Resources Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Southern Utility Management and Services, Inc. (SUMSI), Union Energy Corporation, Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Duty Free, Inc., Puregold Properties, Inc. and Union Equities, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Karayan Hydropower Corporation and Puregold Realty Leasing & Management, Inc.

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

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

(6) Jack Huang, Filipino, 68 years old, Director

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

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

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

(7) Marilyn V. Pardo, Filipino, 84 years old, Independent Director

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

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

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

(8) Edgardo G. Lacson, Filipino, 78 years old, Lead Independent Director

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

Mr. Lacson serves in another PSE-listed companies: Independent Director of Global Ferronickel Inc. and Double Dragon Meridian Park REIT.

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

(9) Jaime Dela Rosa, Filipino, 77 years old, Independent Director

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

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

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

Mr. Dela Rosa is a Certified Public Accountant.

(10) Levi B. Labra, Filipino, 64 years old, Board Consultant

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

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

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

(ii) Corporate Officers

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

For the year 2021, the organizational meeting took place on May 11, 2021 via on-line meeting. The board renewed the appointment of the following officers: Mr. Ferdinand Vincent P. Co as President, Ms. Grace E. Sy as Treasurer, Ms. Baby Gerlie Sacro as Corporate Secretary, Atty. Candy H. Dacanay – Datuon as Assistant Corporate Secretary and Compliance Officer, Mr. Edgardo Lacson as Lead Independent Director, and Ms. Maria Teresa Lontoc as Internal Auditor.

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

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

2. Baby Gerlie I. Sacro, Filipino, 43 years old, Corporate Secretary

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

3. Candy H. Dacanay-Datuon, Filipino, 43 years old, Assistant Corporate Secretary and Compliance Officer

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

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

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

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

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

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

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

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

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

(iii) Key Officers

1. Antonio E. Delos Santos, Filipino, 49 years old, Head - National Operation

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

2. Denise Maria D. Carolino, Filipino, 58 years old, Vice-President for Administration

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

3. Andres S. Santos, Filipino, 71 years old, Legal Counsel

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

4. Jenny L. Jacintos, Filipino, 48 years old, Senior Merchandising Manager

Ms. Jacintos has been a Senior Merchandising Manager in the company since 2012.

Before this position, she was one of the Group Merchandising Managers of the company from 2004 to 2011.

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

5. Marie Ivy Chervias, Filipino, 46 years old, Senior Merchandising Manager

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

6. Connie L. Avila, Filipino, 41 years old, Senior Merchandising Manager

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

7. Ivy Zharisse H. Piedad, Filipino, 39 years old, Senior Merchandising Manager

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

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

8. Antonitte R. Raymundo, Filipino, 44 years old, Senior Merchandising Manager

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

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

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

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

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

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

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

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

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

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

Mr. Victor John G. Dizon is the new Investor Relations Officer of the company effective March 8, 2022.

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

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

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

(iv) Key officers in subsidiaries

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

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

2. Gisela R. Altura, Filipino, 52 years old, S&R Comptroller

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

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

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

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

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

- (1) Bankruptcy case.
- (2) Convicted by final judgment of any criminal proceeding, domestic or foreign.
- (3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.
- (4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

For discussion of related party transactions, please refer to 2020 Consolidated Audited Financial Statements of the company hereto attached as ***Annex "A"***.

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

Item 6. Compensation of Directors and Executive Officers

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

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

(A) Summary Compensation Table

Name and Position	Year	Salary	Bonus	Other Annual Compensation
(1) Lucio L. Co				

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

(B) Standard Arrangements

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

(C) Other Arrangements

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

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

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

(E) Warrants and Options

None.

Item 7. Independent Public Accountants

(a) The company's external auditor for 2021:

Mr. Dindo Marco M. Dioso
Handling Audit Partner

CPA License No. 0095177
SEC Accreditation No. 95177-SEC (Group A) valid until 2023.
Tax Identification No. 912-365-765
R.G. Manabat & Co.
The KPMG Center, 9/F 6787 Ayala Avenue, Makati City Philippines
+63 (2) 885 7000

(b) Upon the favorable recommendation of the Audit Committee, the board is recommending the same principal accountant for the year 2021.

(c) Mr. Dindo Marco M. Dioso or his representatives are expected to be present at the security holders' meeting; they will have the opportunity to make a statement, if they desire to do so; and they are expected to be available to respond to appropriate questions.

(d) The independent accountant who was previously engaged as the principal accountant to audit the company's financial statements has not resigned nor was there any indication that he declined to stand for re-election after the completion of the current audit and neither was he dismissed by the company.

(e) There were no changes in or disagreements with independent accountants on accounting and financial disclosure.

(f) The company paid the independent accountant the following fees:

Puregold and Subsidiaries	2019	2020	2021
	5,700,000	5,700,000	5,750,000

The amount of P5,750,000.00 is being proposed to the stockholders as independent accountant fee of the company and its subsidiaries for 2021.

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

Item 8.Compensation Plans

No action is to be taken up with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed during the meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

No action is to be taken up with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the company during the meeting.

Item 10. Modification or Exchange of Securities

No action is to be taken up with respect to the modification of any class of securities of the registrant, 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

Please refer to 2020 Consolidated Audited Financial Statements of the company attached as *Annex “A”* and Third Quarter - 2021 Financial Report of the company as *Annex “B”*.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matter

No action is to be taken up during the meeting that will involve mergers, consolidations, acquisitions or any similar transaction of the company.

Item 13. Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property during the meeting.

Item 14. Restatement of Accounts

No action is to be taken up with respect to the restatement of any asset, capital, or surplus account of the company during the meeting.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

- (a) Minutes of the 2021 Annual Stockholders’ Meeting including the President’s Report and the 2020 Consolidated Audited Financial Statements.
- (b) Annual Report including the 2021 Consolidated Audited Financial Statements

Item 16. Matters Not Required to be Submitted

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

Item 17. Amendment of Charter, Bylaws or Other Documents

No action is to be taken up with respect to amendment of charter, bylaws or any other documents.

Item 18. Other Proposed Action

- (a) Ratification of all the acts and resolutions of the board of directors and management from the date of the previous stockholders' meeting. The summary of material matters approved by the board of directors in 2021 is as follows:

Date of Board Meeting	Items Approved
March 26, 2021	Eligibility of Independent Directors, Agenda and Details of the 2021 Annual Stockholders Meeting
April 6, 2021	2020 Audited Financial Statements
May 4, 2021	1 st Quarter Financial Performance and Business Quarterly Update
May 11, 2021	Organizational Meeting
August 3, 2021	2 nd Quarter Financial Performance and Business Quarterly Update
November 9, 2021	3 rd Quarter Financial Performance and Business Quarterly Update
December 21, 2021	Cash Dividend Declaration, Renewal of Buy Back and Audit Plan for 2021

- (b) Election of regular and independent directors.

The board of directors endorsed to the stockholders for election the following nominees for regular directors:

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

On March 26, 2021, the board of directors confirmed the eligibility of Mr. Edgardo Lacson and Mrs. Marilyn Pardo to serve as independent directors for another two years. Mr. Lacson and Mrs. Pardo's 9-year term as independent directors would have ended this year, 2021. They had been independent directors of the Company since 2011. However, the board of directors decided to extend their term for another two years. On May 11, 2021, the stockholders of the company representing a total of 2,238,527,228 common shares or 95% of the outstanding shares approved the eligibility of Mr. Lacson and Mrs. Pardo to serve as independent directors and be elected as such for the year 2021 – 2022 and 2022 – 2023.

- (c) Re-appointment of external auditor and fixing its audit service fees.

R.G. Manabat & Company for Puregold and Kareila	2021
	Up to P5,750,000.00

Item 19. Voting Procedures

(a) The affirmative vote of at least majority of the shares present or represented in the meeting shall be required to approve all actions submitted to the vote of stockholders.

(b) The stockholders may cast their votes by sending proxies, or *in absentia* by any means of remote communication. Please refer to **Annex “C”** – Voting Form and **Annex “D”**- Guidelines for participating in the 2022 Annual Stockholders Meeting”. The stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation as of record date.

For election of directors, a stockholder may: (a) vote such number of shares for as many as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by number of shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit. Provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number directors to be elected.

All votes of the stockholders must be submitted by email to corporate.governance@puregold.com.ph on or before April 29, 2022.

(c) The company will engage the services of its Stock Transfer Agent, BDO Stock Transfer Agent, to count and validate the votes of the stockholders.

E. MARKET INFORMATION

(A) Shares of stock

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

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

(B) Stockholders

As of March 31, 2022, the company has 2,881,637,615 stockholders on record, 2,904,214,086 issued shares, 2,881,637,615 outstanding capital stock, and 22,576,471 treasury shares. The company’s top 20 stockholders as of December 31, 2021, are as follows:

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

(C) Dividends

The company's dividends from 2012 to 2021:

Declaration Date	Amount and Type of Dividend (R-regular, S-special)	Record Date	Payment Date
May 8, 2012	S – 0.20 per share	May 22, 2012	June 5, 2012
December 27, 2012	R – 0.10 / S – 0.10 per share	January 14, 2013	February 7, 2013
December 16, 2013	R – 0.20 / S – 0.10 per share	January 6, 2014	January 30, 2014
December 18, 2014	R – 0.20 / S – 0.10 per share	January 12, 2015	February 5, 2015
December 18, 2015	R – 0.20 / S – 0.10 per share	January 8, 2016	January 18, 2016
December 22, 2016	R – 0.20 / S – 0.10 per share	January 12, 2017	January 20, 2017
December 15, 2017	R – 0.20 / S – 0.20 per share	January 2, 2018	January 26, 2018
February 1, 2019	R – 0.20 / S – 0.20 per share	February 15, 2019	March 1, 2019
December 18, 2020	R – 0.25 / S – 0.20 per share	January 8, 2021	January 29, 2021
December 21, 2021	R – 0.25 / S – 0.25 per share	January 10, 2022	February 1, 2022

**In Philippine Peso*

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

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

(D) Recent Sale of Securities

None.

F. CORPORATE GOVERNANCE

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

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

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

(d) Except in 2020 and 2021 due to the Covid 19 pandemic, the company conducted annual corporate governance training for all its directors and officers.

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

The company's directors act on a fully informed basis, with due diligence and care required from them by law and taking into consideration all the stakeholders. The board regularly approves company objectives and plans and monitors its implementation. The board is headed by a competent and qualified Chairman who has more than 40 years of experience in retail operations. The board meets at least six times a year and schedules the meetings before the start of the financial year. In 2021, the board held meetings on March 26, April 6, May 4, May 11, August 3, November 9 and December 21.

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

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

"COVID 19 pandemic brought a lot of uncertainties in our business and to the Philippine economy as a whole. Many challenges of unprecedented scale prompted the Company to adopt and respond as

fast as we can. More than ever, we need a Board of Directors who can quickly and competently respond to these challenges. Such fast and adept response would only come from directors who are very knowledgeable of the Company's core values and culture and who hold the organization's trust to be competent in guiding us navigate through these extraordinary times. The Company strongly believes that any changes in the Board, as of the moment, would burden the Company instead of helping it overcome this global pandemic."

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

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

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

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

(e) Committee Membership

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

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

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

In 2021, the Audit Committee convened four meetings held on March 30, April 30, July 30 and November 5.

(f) Compliance with Section 49 of the Revised Corporation Code

In the conduct of 2022 annual meeting, the company shall endeavor to present the following items to the stockholders, either during the actual meeting or by presenting them to the Information Statements, for their information and guidance.

1. Minutes of the most recent regular meeting; the voting and vote tabulation procedures used in the previous meeting; the opportunity given to stockholders to ask questions and a record of questions asked and answers given; the matters discussed and resolutions reached; record of voting results for each agenda item; list of directors, officers and stockholders who attended the meeting.

2. Material information on the current stockholders and their voting rights.

3. Detailed, descriptive and balanced and comprehensible assessment of the company's performance.

4. Annual Financial Statement for the preceding year.

5. Dividend Policy of the company and the fact of payment of dividends.

6. Qualifications, relevant experience, length of service, and trainings and continuing education of directors.

7. Attendance Report of the directors.

8. Appraisal and performance reports for the board of directors.

9. Compensation Report of the directors.

10. Director disclosure on self-dealings and related party transactions.

11. Profile of directors nominated for re-election.

SIGNATURE PAGE

After reasonable inquiry and to the best of our knowledge and belief, we hereby certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Manila, Philippines on April 6, 2022.

PUREGOLD PRICE CLUB, INC.

By:


Mr. Ferdinand Vincent P. Co
President


Ms. Candy H. Datanay - Datuon
Assistant Corporate Secretary

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

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018**

With Independent Auditors' Report



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

The management of **Puregold Price Club, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

LUCIO L. CO
Chairman

FERDINAND VINCENT P. CO
President

GRACE E. SY
Treasurer

Signed this APR 07 2021 7th day of APRIL 2021

SUBSCRIBED AND SWORN to before me this day of APR 07 2021 2021, affiants exhibiting to me their respective TIN# as follows:

Name	TIN#
Lucio L. Co	108-975-971
Ferdinand Vincent P. Co	208-381-185
Grace E. Sy	101-306-940

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Series of 2021

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec. 31, 2021
Roll No. 58325

IBP Lifetime Member No. 09093
PTR No. 9824725 / 01-05-2021 / Mla.

MCLE Compliance No. VI-0022488 / 04-16-19
No. 500 Romualdez St., Para, Manila

2nd Floor Tabacalera Bldg., 900 Romualdez St., Para, Manila, Philippines 1007
Telefax: (632) 523-3055

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, 2020 and 2019, 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, 2020, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:

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

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

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

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

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

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

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

Key Audit Matters

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

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

The risk

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

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

Our response

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

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

Revenue Recognition (P171.4 billion) Refer to Note 17 to the consolidated financial statements.

The risk

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



Our response

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, 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, 2020 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. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2019

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

PTR No. MKT 8533899

Issued January 4, 2021 at Makati City

April 15, 2021

Makati City, Metro Manila



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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, 2020 and 2019, 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, 2020, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:

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

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

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

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

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

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

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



Key Audit Matters

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

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

The risk

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

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

Our response

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

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

Revenue Recognition (P171.4 billion) Refer to Note 17 to the consolidated financial statements.

The risk

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



Our response

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, 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, 2020 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.

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

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

PTR No. MKT 8533899

Issued January 4, 2021 at Makati City

April 15, 2021

Makati City, Metro Manila

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

	<i>Note</i>	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	4	P32,724,093,663	P17,083,459,430
Receivables - net	5	2,676,254,583	2,675,551,867
Merchandise inventories	6	20,918,320,287	19,526,196,704
Financial assets at fair value through profit or loss	7	2,411,375,234	34,920,601
Prepaid expenses and other current assets	8	658,106,936	720,226,148
Total Current Assets		59,388,150,703	40,040,354,750
Noncurrent Assets			
Investments in associate and joint venture	9	636,548,430	622,981,277
Property and equipment - net	10	21,966,176,496	21,161,690,865
Intangibles and goodwill	12	19,715,894,884	19,730,635,701
Right-of-use assets - net	11, 19	26,137,182,954	23,824,682,048
Deferred tax assets - net	25	1,257,599,720	849,739,274
Other noncurrent assets	13, 19	2,491,956,269	2,404,713,843
Total Noncurrent Assets		72,205,358,753	68,594,443,008
		P131,593,509,456	P108,634,797,758
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14, 23, 26	P14,341,506,837	P13,079,847,582
Income tax payable		1,304,529,529	937,278,214
Short-term loans	15	-	501,570,353
Lease liabilities due within one year	19	896,500,586	490,191,528
Due to related parties	23	49,568,517	47,117,438
Other current liabilities	16	510,379,655	434,803,665
Total Current Liabilities		17,102,485,124	15,490,808,780
Noncurrent Liabilities			
Long-term loans	15	11,875,122,322	400,000,000
Lease liabilities	19	32,731,125,380	29,925,553,649
Retirement benefits liability	24	1,383,056,698	919,085,396
Total Noncurrent Liabilities		45,989,304,400	31,244,639,045
Total Liabilities		63,091,789,524	46,735,447,825
Equity			
Capital stock	26	2,904,214,086	2,904,214,086
Additional paid-in capital		25,361,670,581	25,361,670,581
Retirement benefits reserve		(118,634,185)	54,467,541
Treasury stock		(71,253,489)	(71,253,489)
Retained earnings		40,425,722,939	33,650,251,214
Total Equity		68,501,719,932	61,899,349,933
		P131,593,509,456	P108,634,797,758

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31				
	Note	2020	2019	2018
NET SALES	17	P168,632,328,716	P154,490,309,082	P141,139,261,418
COST OF SALES	6, 18	139,476,212,627	128,539,759,134	117,210,684,020
GROSS INCOME		29,156,116,089	25,950,549,948	23,928,577,398
OTHER REVENUE	17, 19, 20	3,154,798,784	3,262,853,438	2,941,091,069
TOTAL GROSS INCOME AND OTHER REVENUE		32,310,914,873	29,213,403,386	26,869,668,467
OPERATING EXPENSES	21	18,953,230,825	17,829,772,403	16,638,893,497
INCOME FROM OPERATIONS		13,357,684,048	11,383,630,983	10,230,774,970
OTHER CHARGES				
Interest expense	10, 15, 19	2,268,551,686	2,068,485,175	1,944,458,168
Interest income	4, 7	(272,988,877)	(214,862,246)	(37,409,809)
Share in income of associate and joint ventures	9	(9,520,123)	(19,806,723)	(14,127,350)
Others - net	22	(61,482,317)	(30,006,151)	(364,830,882)
		1,924,560,369	1,803,810,055	1,528,090,127
INCOME BEFORE INCOME TAX		11,433,123,679	9,579,820,928	8,702,684,843
PROVISION FOR INCOME TAX				
Current		3,700,122,821	3,119,379,310	2,803,076,753
Deferred		(333,827,499)	(312,346,160)	(299,892,203)
	25	3,366,295,322	2,807,033,150	2,503,184,550
NET INCOME		8,066,828,357	6,772,787,778	6,199,500,293
OTHER COMPREHENSIVE INCOME				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of retirement benefits	24	(247,134,673)	(313,046,794)	223,258,703
Tax effect		74,032,947	93,773,328	(66,831,023)
		(173,101,726)	(219,273,466)	156,427,680
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P7,893,726,631	P6,553,514,312	P6,355,927,973
Basic and diluted earnings per share	28	P2.81	P2.37	P2.24

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31							
			Additional Paid-in Capital	Retirement Benefits Reserve	Treasury Stock	Retained Earnings	Total Equity
	Note	Capital Stock					
Balance at December 31, 2017		P2,785,362,877	P20,830,391,081	P117,313,327	(P56,702,280)	P22,979,528,751	P46,655,893,756
Total comprehensive income for the year							
Net income for the year		-	-	-	-	6,199,500,293	6,199,500,293
Other comprehensive income		-	-	156,427,680	-	-	156,427,680
		-	-	156,427,680	-	6,199,500,293	6,355,927,973
Transaction with owners of the Parent Company							
Effect of merger	26	14,551,209	-	-	(14,551,209)	-	-
Balance at December 31, 2018		2,799,914,086	20,830,391,081	273,741,007	(71,253,489)	29,179,029,044	53,011,821,729
Total comprehensive income for the year							
Net income for the year		-	-	-	-	6,772,787,778	6,772,787,778
Other comprehensive income		-	-	(219,273,466)	-	-	(219,273,466)
		-	-	(219,273,466)	-	6,772,787,778	6,553,514,312
Transactions with owners of the Parent Company							
Issuance of common shares	26	104,300,000	4,531,279,500	-	-	-	4,635,579,500
Cash dividends		-	-	-	-	(2,301,565,608)	(2,301,565,608)
		104,300,000	4,531,279,500	-	-	(2,301,565,608)	2,334,013,892
Balance at December 31, 2019		2,904,214,086	25,361,670,581	54,467,541	(71,253,489)	33,650,251,214	61,899,349,933
Total comprehensive income for the year							
Net income for the year		-	-	-	-	8,066,828,357	8,066,828,357
Other comprehensive income		-	-	(173,101,726)	-	-	(173,101,726)
		-	-	(173,101,726)	-	8,066,828,357	7,893,726,631
Transaction with owners of the Parent Company							
Cash dividends	26	-	-	-	-	(1,291,356,632)	(1,291,356,632)
Balance at December 31, 2020		P2,904,214,086	P25,361,670,581	(P118,634,185)	(P71,253,489)	P40,425,722,939	P68,501,719,932

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P11,433,123,679	P9,579,820,928	P8,702,684,843
Adjustments for:				
Depreciation and amortization	10, 11, 12, 19, 21	4,282,164,425	3,780,806,466	3,483,316,768
Interest expense	10, 15, 19	2,268,551,686	2,068,485,175	1,944,458,168
Interest income	4, 7	(272,988,877)	(214,862,246)	(37,409,809)
Retirement benefits cost	21, 24	225,475,564	131,495,043	163,606,897
Gain on sale of financial assets	7	(36,229,953)	-	-
Gain from lease terminations	19	(29,810,766)	(42,460,046)	(37,850,190)
Share in income of associate and joint ventures	9	(9,520,123)	(19,806,723)	(14,127,350)
Unrealized loss on financial assets at fair value through profit or loss	7, 22	7,407,415	1,581,991	10,385,284
Dividend income	22	(676,873)	(724,358)	(679,505)
Gain on insurance claim	22	(513,124)	(3,503,436)	(3,351,032)
Gain on sale of investment in joint venture	9, 2	-	-	(362,810,262)
Gain from disposal of property and equipment	22	-	-	(154,310)
Operating income before changes in working capital		17,866,983,053	15,280,832,794	13,848,069,502
Decrease (increase) in:				
Receivables		(702,716)	2,114,246,211	(220,456,362)
Merchandise inventories		(1,392,123,583)	205,626,735	(2,035,182,278)
Prepaid expenses and other current assets		(319,692,742)	(343,019,559)	(224,312,271)
Increase (decrease) in:				
Trade and other payables		1,156,968,755	265,642,922	1,171,498,022
Due to related parties		2,451,079	3,642,906	6,408,701
Other current liabilities		75,575,990	99,177,603	(85,906,851)
Cash generated from operations		17,389,459,836	17,626,149,612	12,460,118,463
Income taxes paid		(2,951,059,552)	(2,764,172,458)	(2,882,804,170)
Interest received		272,988,877	214,862,246	37,409,809
Retirement benefits paid	24	(8,638,936)	(3,952,095)	-
Net cash provided by operating activities		14,702,750,225	15,072,887,305	9,614,724,102
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at fair value through profit or loss		(7,883,862,048)	-	-
Property and equipment	10	(3,205,692,561)	(3,776,100,027)	(3,578,313,857)
Investments in associate and joint venture	9	-	-	(32,500,000)
Proceeds from:				
Financial assets at fair value through profit or loss		5,536,229,953	-	-
Disposal of property and equipment	10	1,402,111	126,111,988	10,995,096
Insurance claim	22	513,124	3,503,436	3,351,032
Sale of investment in joint venture	9	-	-	600,000,000
Increase in:				
Other noncurrent assets		(176,461,823)	(86,174,295)	(359,933,391)
Intangibles	12	(28,678,027)	(40,972,316)	(39,660,637)
Dividends received	7	676,873	724,358	679,505
Net cash used in investing activities		(5,755,872,398)	(3,772,906,856)	(3,395,382,252)

Forward

Years Ended December 31				
	Note	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of:	15			
Long-term loans		P12,000,000,000	P -	P400,000,000
Short-term loans		-	-	1,658,800,000
Repayments of:	15			
Short-term loans		(501,570,353)	(4,254,729,647)	(1,415,000,000)
Long-term loans		(400,000,000)	(1,440,000,000)	(560,000,000)
Repayments of lease:	19			
Interest expense		(2,121,718,052)	(1,968,625,600)	(1,769,861,632)
Principal amount		(856,361,903)	(604,042,816)	(549,746,573)
Payments of:				
Cash dividends	26	(1,147,872,562)	(1,153,693,046)	(1,106,152,562)
Interest expense		(149,720,724)	(118,368,644)	(255,668,083)
Debt issuance cost		(129,000,000)	-	-
Proceeds from issuance of common shares	26	-	4,635,579,500	-
Net cash from (used in) financing activities		6,693,756,406	(4,903,880,253)	(3,597,628,850)
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,640,634,233	6,396,100,196	2,621,713,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,083,459,430	10,687,359,234	8,065,646,234
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P32,724,093,663	P17,083,459,430	P10,687,359,234

See Notes to the Consolidated Financial Statements

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

1. Reporting Entity

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

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

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

	Percentage of Ownership	
	2020	2019
Kareila Management Corporation	100	100
S&R Pizza (Harbor Point), Inc. ^(a)	100	100
S&R Pizza, Inc. ^(a)	100	100
PPCI Subic, Inc. (PSI)	100	100
Entenso Equities Incorporated (Entenso)	100	100
Purepadala, Inc. (Purepadala) ^(b)	100	100

(a) Indirect subsidiaries through Kareila Management Corporation

(b) Newly incorporated and has not started operations yet

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

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

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

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 6, 2021.

Historical cost is used as the measurement basis except for:

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

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

Functional and Presentation Currency

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

Significant Judgments, Estimates and Assumptions

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

Judgments

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

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

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

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

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

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

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

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

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

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

The Group has entered into various 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 P277.0 million, P463.9 million and P407.3 million in 2020, 2019 and 2018, respectively.

Estimates

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

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

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

The carrying amount of receivables amounted to P2.7 billion as at December 31, 2020 and 2019.

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

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

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

The carrying amount of merchandise inventories amounted to P20.9 billion and P19.7 billion as at December 31, 2020 and 2019, respectively.

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

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

The carrying amounts of goodwill and other intangibles with indefinite lives totaled P19.5 billion as at December 31, 2020 and 2019, respectively.

Impairment of Non-financial Assets Other than Goodwill

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

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

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

Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

There are no impairment indicators affecting the Group's non-financial assets as at December 31, 2020 and 2019.

As at December 31, 2020 and 2019, the following are the carrying amounts of nonfinancial assets:

	Note	2020	2019
Right-of-use assets - net	11, 19	P26,137,182,954	P23,824,682,048
Property and equipment - net	10	21,966,176,496	21,161,690,865
Investments in associate and joint venture	9	636,548,430	622,981,277
Computer software and licenses, and leasehold rights	12	214,358,035	229,098,852

Estimating Realizability of Deferred Tax Assets (Note 25)

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

As at December 31, 2020 and 2019, the Group recognized deferred tax assets amounting to P1,257.60 million and P849.74 million, respectively.

Estimating Retirement Benefits Liability (Note 24)

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

Retirement benefits liability amounted to P1,383.06 million and P919.09 million as at December 31, 2020 and 2019, respectively.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards and Frameworks

The Group adopted the following relevant amendments to standards and frameworks starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in PFRS Standards set 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.

- Definition of a Business (Amendments to PFRS 3 Business Combinations). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:
 - Confirmed that a business must include inputs and a process, and clarified that:
 - the process must be substantive; and
 - the inputs and process must together significantly contribute to creating outputs;
 - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
 - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- 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 judgements without substantively changing existing requirements.

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

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective June 1, 2020

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

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

Effective January 1, 2022

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

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

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

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

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

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

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards:
 - *Subsidiary as a First-time Adopter (Amendment to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards)*. The amendment simplifies the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of parent, based on the parent's date of transition to PFRS.

- *Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments)*. The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16 Leases)*. The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive
- *Taxation in Fair Value Measurements (Amendment to PAS 41 Agriculture)*. The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13 Fair Value Measurement.

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

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

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

Effective January 1, 2023

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

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

Consolidation

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

Business Combinations

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

Statement of Cash Flows

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

Segment Reporting

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

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

Financial Instruments

Financial Assets

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

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

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

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

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

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

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

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

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities.

- payment record - this includes overdue status as well as a range of variables about payment ratios.
- existing and forecast changes in the business, financial and economic conditions.

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

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

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

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

Financial Assets at Amortized Cost

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

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

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

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

Financial Assets at FVOCI

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

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

The Group's unquoted equity securities are included in this category. The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at December 31, 2020 and 2019.

Financial Assets at FVTPL

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

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

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

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

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

As of December 31, 2020 and 2019, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

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

Financial Liabilities

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

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

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

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

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

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

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

Offsetting Financial Instruments

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

Fair Value Measurements

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

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

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

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

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

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

Cash and Cash Equivalents

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

Merchandise Inventories

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

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

Property and Equipment

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

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

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

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

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

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

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

Investments in Associates and Joint Arrangements

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

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

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

Intangible Assets

Goodwill and Impairment of Goodwill

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

Other Intangible Assets

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

Impairment of Non-current Assets Other than Goodwill

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

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

A reversal of an impairment loss is recognized immediately as a credit to the Group's profit or loss.

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

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

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

Other Comprehensive Income

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

Revenue Recognition

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

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

Contract Balances

Receivables

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

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

Contract Liabilities

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

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

Cost and Expense Recognition

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

Vendor Rebates and Allowances

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

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

Operating Expenses

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

Leases

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

As a Lessee

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

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

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

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

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

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

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

Variable Lease Payments

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

Lease Modifications as a Lessee

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

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

Short-term Leases and Leases of Low-value Assets

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

As a Lessor

When the Group act as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

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

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

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

Borrowing Costs

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

Income Taxes

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

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

Current Tax

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

Deferred Tax

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

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

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

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

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

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

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

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

Value Added Tax (VAT)

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

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

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

Basic and Diluted Earnings Per Share (EPS)

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

Related Parties

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

Provisions and Contingencies

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

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

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

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	2020	2019
Cash on hand		P774,855,494	P1,373,834,685
Cash in banks	29	10,281,958,993	5,280,614,006
Money market placements	23, 29	21,667,279,176	10,429,010,739
	29	P32,724,093,663	P17,083,459,430

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

Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 0.8% to 3.4% in 2020, 2.6% to 5.8% in 2019, and 0.6% to 5.8% in 2018.

Interest income earned from cash in banks and money market placements totaled P270.5 million, P214.9 million, and P37.4 million in 2020, 2019 and 2018, respectively.

5. Receivables

This account consists of:

	<i>Note</i>	2020	2019
Trade receivables	23	P1,672,970,351	P2,168,828,499
Nontrade receivables	23	1,010,746,559	514,185,695
		2,683,716,910	2,683,014,194
Less allowance for impairment losses on trade receivables		7,462,327	7,462,327
	29	P2,676,254,583	P2,675,551,867

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

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

6. Merchandise Inventories

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

The Group's merchandise inventories at cost amounted to P20.9 billion and P19.5 billion as at December 31, 2020 and 2019, respectively.

Inventory charged to the cost of sales amounted to P139.5 billion, P128.5 billion and P117.2 billion in 2020, 2019 and 2018, respectively (see Note 18).

7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	<i>Note</i>	2020	2019
Held-for-trading:	22, 29		
Government securities		P2,383,862,048	P -
Equity securities		27,513,186	34,920,601
		P2,411,375,234	P34,920,601

The Group recognized a gain on disposal of government securities amounting to P36.2 million in 2020.

Interest income on government securities amounted to P2.54 million in 2020.

Dividend income on equity securities amounted to P0.7 million each in 2020, 2019 and 2018. (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Prepaid expenses	P266,369,411	P375,442,671
Deferred input VAT	337,817,417	296,935,823
Input VAT	47,989,074	44,044,027
Creditable withholding tax	5,931,034	3,803,627
	P658,106,936	P720,226,148

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

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

The details of prepaid expenses are as follows:

	2020	2019
Taxes and licenses	P125,360,561	P111,921,997
Insurance	73,780,496	115,612,404
Supplies	33,740,309	36,554,953
Advertising and promotion	11,095,576	79,304,978
Repairs and maintenance	3,753,287	9,050,863
Others	18,639,182	22,997,476
	P266,369,411	P375,442,671

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

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

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

9. Investments in Associate and Joint Venture

The details of this account are as follows:

	2020	2019
Associate	P461,152,697	P447,585,544
Joint venture	175,395,733	175,395,733
	P636,548,430	P622,981,277

Investment in Associate

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

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

	2020	2019
Balance at beginning of the year	P447,585,544	P433,542,656
Share in net income	9,520,123	14,042,888
Other adjustments	4,047,030	-
Balance at end of year	P461,152,697	P447,585,544

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

	2020	2019
Percentage of ownership	49.34%	49.34%
Current assets	P4,892,031,522	P4,816,374,206
Noncurrent assets	811,536,266	239,124,495
Current liabilities	(871,930,420)	(4,687,331,252)
Noncurrent liabilities	(4,456,496,386)	(20,523,736)
Net assets	375,140,982	347,643,713
Group's share in net assets	185,094,561	171,527,408
Goodwill	276,058,136	276,058,136
Carrying amount of interest in associate	P461,152,697	P447,585,544
Net sales	P5,854,701,965	P6,742,910,391
Net income	19,294,939	28,461,467
Group's share in net income	P9,520,123	P14,042,888

Investment in Joint Ventures

AyaGold Retailers, Inc.

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

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

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

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

	2020	2019
Balance at beginning of year	P175,395,733	P169,631,896
Share in net income	1,049,791*	5,763,837
Balance at end of year	P176,445,524	P175,395,733

**Unrecognized share in net income*

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

	2020	2019
Percentage of ownership	50%	50%
Current assets	P295,591,774	P258,601,155
Noncurrent assets	455,987,422	347,629,885
Total liabilities	(398,688,147)	(396,934,811)
Net assets	352,891,049	209,296,229
Group's share in net assets	176,445,524	104,648,114
Impact of adoption of PFRS 16	-	70,747,619
Carrying amount of interest in joint venture	P176,445,524	P175,395,733
Net sales	P697,594,488	P639,968,431
Net income	2,099,583	11,527,674
Group's share in net income	P1,049,791	P5,763,837

PG Lawson Company, Inc.

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

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

10. Property and Equipment

The movements in this account are as follows:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, December 31, 2018	P6,375,288,413	P2,683,519,542	P8,878,327,402	P10,595,667,994	P436,227,845	P1,123,997,986	P30,093,029,182
Additions	154,562,267	257,214,883	865,180,081	467,808,757	-	2,087,812,498	3,832,578,486
Reclassifications	130,924,329	64,224,370	365,583,130	1,247,220,904	-	(1,807,952,733)	-
Disposals	-	(931,592)	(178,442,220)	(7,341,493)	-	-	(186,715,305)
Balance, December 31, 2019	6,660,775,009	3,004,027,203	9,930,648,393	12,303,356,162	436,227,845	1,403,857,751	33,738,892,363
Additions	104,575,833	209,288,083	748,454,587	942,689,811	500,664,000	701,858,410	3,207,530,724
Reclassifications	55,819,302	15,688,662	180,649,163	606,737,904	-	(858,895,031)	-
Disposals	(849,310)	(809,940)	(18,481,242)	(179,067,758)	-	-	(199,208,250)
Balance, December 31, 2020	6,820,320,834	3,228,194,008	10,841,270,901	13,673,716,119	936,891,845	1,246,821,130	36,747,214,837
Accumulated Depreciation and Amortization							
Balance, December 31, 2018	1,288,599,650	1,327,701,808	5,747,713,168	2,239,940,776	-	-	10,603,955,402
Depreciation and amortization	216,985,291	219,285,661	1,027,741,384	565,646,244	-	-	2,029,658,580
Reclassifications	-	(1,366,304)	1,311,536	54,768	-	-	-
Disposals	-	(876,077)	(53,321,627)	(2,214,780)	-	-	(56,412,484)
Balance, December 31, 2019	1,505,584,941	1,544,745,088	6,723,444,461	2,803,427,008	-	-	12,577,201,498
Depreciation and amortization	223,540,151	258,513,522	1,152,000,317	767,588,992	-	-	2,401,642,982
Reclassifications	212,773	-	-	(212,773)	-	-	-
Disposals	(473,213)	(812,939)	(17,452,230)	(179,067,757)	-	-	(197,806,139)
Balance, December 31, 2020	1,728,864,652	1,802,445,671	7,857,992,548	3,391,735,470	-	-	14,781,038,341
Carrying Amount							
December 31, 2019	P5,155,190,068	P1,459,282,115	P3,207,203,932	P9,499,929,154	P436,227,845	P1,403,857,751	P21,161,690,865
December 31, 2020	P5,091,456,182	P1,425,748,337	P2,983,278,353	P10,281,980,649	P936,891,845	P1,246,821,130	P21,966,176,496

Interest expense on loans capitalized as part of property and equipment amounted to P2.9 million, P12.0 million and P81.7 million in 2020, 2019 and 2018, respectively (see Note 15).

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P5,592.45 million and P3,898.65 million as at December 31, 2020 and 2019, respectively.

11. Right-of-Use Assets

The movements in this account are as follows:

	2020	2019
Cost		
Balance at January 1	P33,014,871,924	P30,150,419,773
Additions	2,700,793,126	3,325,233,861
Modifications to leases	1,612,512,914	89,043,702
Terminated leases	(137,882,964)	(163,201,984)
Derecognition of right-of-use assets	(21,072,525)	(386,623,428)
Balance at December 31	37,169,222,475	33,014,871,924
Accumulated Depreciation		
Balance at January 1	9,190,189,876	7,879,973,086
Depreciation	1,874,771,949	1,748,512,654
Terminated leases	(11,849,779)	(51,672,436)
Derecognition of right-of-use assets	(21,072,525)	(386,623,428)
Balance at December 31	11,032,039,521	9,190,189,876
Carrying Amount at December 31	P26,137,182,954	P23,824,682,048

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

12. Goodwill and Other Intangibles

This account consists of:

	2020	2019
Goodwill	P14,902,423,321	P14,902,423,321
Trademark	3,709,660,547	3,709,660,547
Customer relationships	889,452,981	889,452,981
Computer software and licenses - net	167,011,990	177,985,058
Leasehold rights - net	47,346,045	51,113,794
	P19,715,894,884	P19,730,635,701

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

The details of goodwill are as follows:

	2020	2019
Kareila	P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	837,974,199	837,974,199
Gant	742,340,804	742,340,804
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	685,904,317	685,904,317
Company E	358,152,015	358,152,015
Black & White (B&W) Supermart	187,203,888	187,203,888
Puregold Junior Supermarket, Inc. (PJSI)	11,374,263	11,374,263
	P14,902,423,321	P14,902,423,321

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

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

VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 6.1% to 7.6% in 2020 and 9.5% to 11% in 2019. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 5% and 8% for the CGUs. The average operating margins applied in the projected periods ranged between 2% and 6% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.8% and 4.4% for the CGUs.

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

	Pre-tax Discount Rate		Growth Rate (Terminal Value)	
	2020	2019	2020	2019
Kareila	5.94%	11.0%	2.6%	3.0%
Budgetlane Supermarkets	6.95%	11.0%	2.6%	3.0%
Gant	7.29%	10.9%	2.6%	3.0%
DCI and FLSTCI	7.06%	10.6%	2.6%	3.0%

As at December 31, 2020, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if either of the following change occurs: discount rate increased by 0.3% or growth rate decreased by 1%.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	2020	2019
Cost		
Balance at January 1	P417,158,774	P376,186,458
Additions	28,678,027	41,306,299
Transfers to a related party	-	(333,983)
Balance at December 31	445,836,801	417,158,774
Accumulated Amortization		
Balance at January 1	239,173,716	196,353,782
Amortization	39,651,095	42,819,934
Balance at December 31	278,824,811	239,173,716
Carrying Amount At December 31	P167,011,990	P177,985,058

Leasehold Rights

The movements in leasehold rights are as follows:

	2020	2019
Cost		
Balance at January 1	P75,355,005	P75,355,005
Accumulated Amortization		
Balance at January 1	24,241,211	20,473,460
Amortization	3,767,749	3,767,751
Balance at December 31	28,008,960	24,241,211
Carrying Amount at December 31	P47,346,045	P51,113,794

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

13. Other Noncurrent Assets

This account consists of:

	Note	2020	2019
Security deposits	29	P2,091,761,905	P2,072,158,962
Advances to contractors		359,695,752	290,709,396
Accrued rent income	19, 25	32,619,452	33,966,325
Others		7,879,160	7,879,160
		P2,491,956,269	P2,404,713,843

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

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

14. Trade and Other Payables

This account consists of:

	<i>Note</i>	2020	2019
Trade	23, 29	P9,358,065,622	P8,640,007,681
Nontrade	23, 29	1,839,972,653	1,695,534,867
Dividends payable	26, 29	1,291,356,633	1,147,872,562
Withholding taxes payable		277,059,070	147,596,464
Accrued expenses:	29		
Manpower agency services		944,392,380	851,648,159
Utilities		186,394,878	193,320,785
Supplies		134,746,325	138,436,853
Rent		80,445,096	63,272,765
Others		229,074,180	202,157,446
		P14,341,506,837	P13,079,847,582

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

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

15. Loans Payable

This account consists of:

a. Short-term Loans

	<i>Note</i>	2020	2019
Metrobank		P -	P500,000,000
Puregold Finance	23	-	1,570,353
		P -	P501,570,353

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

The loan proceeds were used for working capital requirements.

b. Long-term Loans

	<i>Note</i>	2020	2019
Unsecured Peso Denominated			
Fixed-rate Notes of Parent Company		P12,000,000,000	P -
Fixed-rate Note of Kareila		-	400,000,000
		12,000,000,000	400,000,000
Unamortized Debt Issue Cost		(124,877,678)	-
	29	P11,875,122,322	P400,000,000

Fixed-rate Notes of Parent Company

On September 30, 2020, the Parent Company raised P12 billion from the issuance of fixed-rate corporate notes for its store network expansion. This consists of P7-billion notes that have a seven-year tenor and P5-billion notes that have a 10-year tenor with interest rates ranging from 4.00% to 4.513%.

The movement in debt issue costs are as follows:

	2020	2019
Balance at beginning of the year	P -	P -
Additions	129,000,000	-
Amortization	(4,122,322)	-
Balance at end of the year	P124,877,678	P -

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

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

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

Fixed-rate Note of Kareila

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

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

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

In 2020, Kareila fully paid the remaining balance.

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

	2020				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans	P12,000,000,000	P16,216,500,000	P42,137,500	P168,550,000	P16,005,812,500

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

The loans are not subject to any covenants.

Interest expense charged to profit or loss amounted to P146.8 million, P99.9 million and P174.6 million in 2020, 2019 and 2018, respectively.

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

Changes in Liabilities Arising from Financing Activities:
The movements and balances of this account are as follows:

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 13 and 25)	Lease Liabilities	Total
Balance at January 1, 2020	P501,570,353	P400,000,000	P1,147,872,562	P30,415,745,177	P32,465,188,092
Changes from financing cash flows:					
Payment of loans	(501,570,353)	(400,000,000)	-	-	(901,570,353)
Availment of loans	-	12,000,000,000	-	-	12,000,000,000
Payment of debt issuance cost	-	(129,000,000)	-	-	(129,000,000)
Lease payments	-	-	-	(2,978,079,955)	(2,978,079,955)
Payment of dividends	-	-	(1,154,420,606)	-	(1,154,420,606)
Total changes from financing cash flows	(501,570,353)	11,471,000,000	(1,154,420,606)	(2,978,079,955)	6,836,929,086
Other Changes					
<i>Liability-related</i>					
Additions	-	-	-	4,739,875,233	4,739,875,233
Amortization of debt issue cost	-	4,122,322	-	-	4,122,322
Other lease adjustments	-	-	-	1,450,085,511	1,450,085,511
Declaration of dividends	-	-	1,297,904,677	-	1,297,904,677
Total liability-related changes	-	4,122,322	1,297,904,677	6,189,960,744	7,491,987,743
Balance at December 31, 2020	P -	P11,875,122,322	P1,291,356,633	P33,627,625,966	P46,794,104,921

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 13 and 25)	Lease Liabilities	Total
Balance at January 1, 2019	P4,756,300,000	P1,840,000,000	P -	P27,913,135,119	P34,509,435,119
Changes from financing cash flows:					
Payment of loans	(4,254,729,647)	(1,440,000,000)	-	-	(5,694,729,647)
Lease payments	-	-	-	(2,572,668,416)	(2,572,668,416)
Payment of dividends	-	-	(1,153,693,046)	-	(1,153,693,046)
Total changes from financing cash flows	(4,254,729,647)	(1,440,000,000)	(1,153,693,046)	(2,572,668,416)	(9,421,091,109)
Other Changes					
<i>Liability-related</i>					
Additions	-	-	-	3,171,598,765	3,171,598,765
Other lease adjustments	-	-	-	1,903,679,709	1,903,679,709
Declaration of dividends	-	-	2,301,565,608	-	2,301,565,608
Total liability-related changes	-	-	2,301,565,608	5,075,278,474	7,376,844,082
Balance at December 31, 2019	P501,570,353	P400,000,000	P1,147,872,562	P30,415,745,177	P32,465,188,092

16. Other Current Liabilities

This account consists of:

	<i>Note</i>	2020	2019
Deposits from tenants	19, 29	P226,788,588	P189,508,497
Unredeemed gift certificates		210,388,129	157,477,311
VAT payable		63,873,811	78,225,030
Promotion fund		9,151,979	1,934,210
Others	29	177,148	7,658,617
		P510,379,655	P434,803,665

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

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

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2020 and 2019. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the rollforward of contract liabilities for the years ended 2020 and 2019:

	2020	2019
Beginning balance	P157,477,311	P127,912,876
Add receipts	724,624,518	481,758,850
Less sales recognized	671,713,700	452,194,415
Ending balance	P210,388,129	P157,477,311

17. Revenue from Contract with Customers

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

	Note	2020	2019	2018
Net sales from stores		P168,632,328,716	P154,490,309,082	P141,139,261,418
Concession fee income	20	2,095,903,559	2,056,097,023	1,878,358,992
Membership fee income	20	628,621,259	572,713,780	513,588,832
Revenue from contract with customers		P171,356,853,534	P157,119,119,885	P143,531,209,242

18. Cost of Sales

This account for the years ended December 31 consists of:

	Note	2020	2019	2018
Beginning inventory	6	P19,526,196,704	P19,731,823,439	P17,696,641,161
Add purchases		140,868,336,210	128,334,132,399	119,245,866,298
Total goods available for sale		160,394,532,914	148,065,955,838	136,942,507,459
Less ending inventory	6	20,918,320,287	19,526,196,704	19,731,823,439
		P139,476,212,627	P128,539,759,134	P117,210,684,020

19. Leases

Lessee

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 5 years to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1%-10% escalation or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

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

	2020	2019
Due within one year	P896,500,586	P490,191,528
Due beyond one year	32,731,125,380	29,925,553,649
	P33,627,625,966	P30,415,745,177

The movements in lease liabilities are as follows:

	Note	2020	2019
Balance at January 1	29	P30,415,745,177	P27,913,135,119
Additions		2,618,157,181	3,171,598,765
Accretion of interest expense		2,121,718,052	1,968,625,600
Repayments		(2,978,079,955)	(2,572,668,416)
Terminations		(162,427,403)	(153,989,593)
Modifications		1,612,512,914	89,043,702
Balance at December 31		P33,627,625,966	P30,415,745,177

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

	2020	2019
Less than one year	P2,379,735,845	P2,336,995,275
One to five years	9,505,471,439	9,672,106,532
More than five years	31,286,910,697	34,949,127,659
	P43,172,117,981	P46,958,229,466

The following are the amounts recognized in profit or loss:

	2020	2019
Variable lease payments not included in the measurement of lease liabilities*	P667,702,511	P581,170,042
Expenses related to leases of low-value assets	32,078,482	44,722,976
Expenses related to short-term leases	8,479,894	2,681,012
Total rent expense	708,260,887	628,574,030
Interest accretion on lease liabilities	2,121,718,052	1,968,625,600
Depreciation charge for right-of-use assets	1,874,771,949	1,748,512,653
Gain from lease terminations	(29,810,766)	(42,460,046)

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

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

As Lessor

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

Rent income recognized in profit or loss amounted to P277.0 million, P463.9 million and P407.3 million in 2020, 2019 and 2018, respectively (see Note 20).

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

	2020	2019
Less than one year	P252,349,078	P275,981,653
One to two years	151,804,171	139,824,829
Two to three years	107,462,635	132,084,351
Three to four years	62,836,589	109,160,620
Four to five years	33,675,791	99,236,929
More than five years	43,755,679	82,851,945
	P651,883,943	P839,140,327

20. Other Revenue

This account consists of:

	Note	2020	2019	2018
Concession fee income	17	P2,095,903,559	P2,056,097,023	P1,878,358,992
Membership fee income	17	628,621,259	572,713,780	513,588,832
Rent income	19	277,001,663	463,941,849	407,251,364
Miscellaneous		153,272,303	170,100,786	141,891,881
		P3,154,798,784	P3,262,853,438	P2,941,091,069

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

21. Operating Expenses

This account consists of:

	<i>Note</i>	2020	2019	2018 (Restated)
Depreciation and amortization	10, 11, 12, 19	P4,282,164,425	P3,780,806,466	P3,441,225,478
Manpower agency services		3,512,779,356	3,492,753,742	3,343,676,703
Salaries and wages		2,210,844,220	2,123,354,354	1,944,170,492
Communication, light and water		2,140,040,278	2,382,736,196	2,309,873,902
Security services		972,188,423	937,639,989	906,924,442
Taxes and licenses		922,497,350	808,850,133	760,848,934
Rent	19	708,260,887	628,574,030	708,009,628
Store and office supplies		584,431,644	562,041,985	547,671,887
Repairs and maintenance		532,075,409	499,799,076	444,234,406
Advertising and marketing		470,763,449	346,541,780	288,045,748
Credit card charges		447,035,439	356,308,987	298,879,561
Transportation		239,442,584	138,340,015	100,711,654
Input VAT allocable to exempt sales		229,374,260	239,068,606	131,256,960
Retirement benefits cost	24	225,475,564	131,495,043	163,606,897
Insurance		221,397,715	206,746,899	195,043,275
Janitorial and messengerial services		197,998,039	202,192,326	206,482,215
SSS/Medicare and HDMF contributions		183,505,374	184,384,889	140,857,294
Other selling expenses		165,536,591	183,355,869	174,498,578
Representation and entertainment		133,164,444	121,756,140	124,235,532
Fuel and oil		73,245,310	77,705,076	80,576,785
Royalty	23	61,960,646	58,896,798	54,342,743
Professional fees		27,728,325	35,647,131	35,001,282
Donations and contributions		25,125,192	-	-
Miscellaneous		386,195,901	330,776,873	238,719,101
		P18,953,230,825	P17,829,772,403	P16,638,893,497

22. Others

This account consists of:

	<i>Note</i>	2020	2019	2018
Gain on sale of investment	7	P36,229,953	P -	P362,810,262
Gain from lease terminations	19	29,810,766	42,460,046	37,850,190
Unrealized valuation loss on financial assets at FVPL	7	(7,407,415)	(1,581,991)	(10,385,284)
Bank charges		(4,819,458)	(14,551,874)	(26,747,884)
Foreign exchange gains (losses)		2,431,444	(547,824)	(2,881,249)
Gain on insurance claims		513,124	3,503,436	3,351,032
Dividend income	7	676,873	724,358	679,505
Gain from disposal of property and equipment	10	-	-	154,310
Others		4,047,030	-	-
		P61,482,317	P30,006,151	P364,830,882

23. Related Party Transactions

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

Related Party	Year	Note	Amount of Transactions for the Year	Money Market Placements (see Note 4)	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 14)	Nontrade Payable, Loans and Lease Liabilities (see Notes 14, 15 and 19)	Due to Related Parties	Terms	Conditions
Parent											
Dividends	2020		P634,890,235	P -	P -	P -	P -	P634,890,235	P -	Due and demandable	Unsecured
	2019		564,137,807	-	-	-	-	564,137,807	-		
Loans	2020	d	-	-	-	-	-	-	-	6 months; interest bearing at 4.5%-5%	
	2019		1,400,000,000	-	-	-	-	500,000,000	-		
Interest expense	2020	d	1,603,845	-	-	-	-	-	-		
	2019		48,168,750	-	-	-	-	-	-		
Entities under Common Control											
Leases	2020	a	1,106,708,930	-	-	808,983	-	4,150,693,309	-	Due and demandable	Unsecured; no impairment
	2019		819,037,966	-	-	316,068	-	4,463,016,232	-	demandable	Unsecured
Concession expense	2020		382,544,009	-	-	-	-	-	-	Due and demandable	
	2019	b	466,846,777	-	-	-	-	-	-	demandable	
Short-term investments	2020	4	3,320,402,583	-	-	-	-	-	-	Original maturity of less than 3 months	
	2019		7,601,706,380	4,142,656,777	-	-	-	-	-		
Purchase of merchandise	2020		2,013,231,892	-	-	-	668,693,569	-	-	Due and demandable	Unsecured
	2019		3,257,357,027	-	-	-	1,008,628,015	-	-	demandable	
Sale of merchandise	2020		89,058,730	-	62,058,898	-	-	-	-	Due and demandable	Unsecured; no impairment
	2019		80,338,755	-	41,985,248	-	-	-	-	demandable	Unsecured
Security deposits	2020	a	76,000,192	-	-	20,358	-	2,784,888	-	Due and demandable	Unsecured; no impairment
	2019		7,352,322	-	-	18,721	-	631,629	-	demandable	Unsecured
Advances	2020		-	-	-	116,000,000	-	-	-	Due and demandable	Unsecured; no impairment
	2019		116,000,000	-	-	116,000,000	-	-	-	demandable	Unsecured
Management fee	2020		8,329,308	-	-	-	-	5,705,121	-	Due and demandable	
	2019		15,377,655	-	-	-	-	659,687	-	demandable	
Fixed asset	2020		11,789	-	-	123,617,038	-	-	-	Due and demandable	Unsecured
	2019		123,605,957	-	-	123,605,957	-	-	-	demandable	
Loans	2020	d	1,570,353	-	-	-	-	-	-	Due and demandable	
	2019		8,970,000	-	-	-	-	1,570,353	-	demandable	
Expense reimbursement	2020		220,555,229	-	-	7,684,888	-	-	-	Due and demandable	Unsecured
	2019		265,374,228	-	-	6,924,032	-	9,427,419	-	demandable	
Stockholder											
Royalty expense	2020	c	61,960,646	-	-	-	-	-	49,568,517	30 years and subject to renewal	Unsecured
	2019		58,896,798	-	-	-	-	-	47,117,438		
Leases	2020	a	24,621,714	-	-	-	-	-	-		
	2019		23,904,576	-	-	-	-	-	-		
Key Management Personnel											
Short-term benefits	2020		38,651,781	-	-	-	-	-	-		
	2019		13,423,861	-	-	-	-	-	-		
Total	2020			P -	P62,058,898	P248,131,267	P668,693,569	P4,794,073,553	P49,568,517		
Total	2019			P4,142,656,777	P41,985,248	P246,864,778	P1,008,628,015	P5,539,443,127	P47,117,438		

a. Leases - Group as a Lessee

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

b. Consignment and Concession

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

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

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

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

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

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.
- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.
- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

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

c. License Agreement

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

d. Loans

Cosco

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

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

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

In 2020, Kareila paid the remaining balance and there were no availments during the year.

Puregold Finance

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

In 2019, the Parent Company obtained an unsecured short-term loan from Puregold Finance amounting to P9.0 million. In 2020, the Parent Company paid the remaining balance and there were no availments during the year.

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

Significant Related Party Transactions and Balances Eliminated During Consolidation

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

	2020	2019
Sales	P11,326,461	P74,925,615
Trade receivable	11,326,461	74,925,615

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

	2020	2019
Cost of sales	P112,195	P58,839,910
Merchandise inventories	-	169,752
Trade payable	112,195	58,646,833

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

	Amount of Transaction	2020	2019
Dividend receivable	P475,000,000	P475,000,000	P475,000,000

24. Retirement Benefits Liability

The Parent Company and its subsidiaries has unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2020. 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:

	2020	2019
Present value of defined benefit obligation	P1,413,074,310	P947,535,634
Fair value of plan assets	(30,017,612)	(28,450,238)
Retirement benefits liability	P1,383,056,698	P919,085,396

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

	2020	2019
Balance at January 1	P947,535,634	P504,207,438
Included in profit or loss		
Current service cost	177,499,305	95,464,319
Interest cost	49,461,361	37,966,821
	226,960,666	133,431,140
Benefits paid	(8,638,936)	(3,952,095)
Included in other comprehensive income		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	319,027,413	338,118,445
Experience adjustments	(71,810,467)	(24,269,294)
	247,216,946	313,849,151
Balance at December 31	P1,413,074,310	P947,535,634

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

	2020	2019
Beginning of the year	P28,450,238	P25,711,784
Interest income	1,485,102	1,936,097
Remeasurement gain	82,272	802,357
End of the year	P30,017,612	P28,450,238

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

	2020	2019
Beginning of year	(P77,605,077)	(P390,651,871)
Actuarial losses for the year	247,134,674	313,046,794
Ending balance	P169,529,597	(P77,605,077)

The cumulative actuarial gain or loss, net of income tax effect, amounted to P118.63 million and P54.47 million as at December 31, 2020 and 2019, which are presented as retirement benefits reserve in the equity section of the consolidated statements of financial position.

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

	2020	2019
Cash in banks	P3,293,644	P2,460,784
Debt instruments - government securities	26,527,304	25,725,898
Trust fees payable	(14,073)	(14,143)
Other receivables	210,737	277,699
	P30,017,612	P28,450,238

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 2021.

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

	2020	2019
Discount rate	3.95%	5.22%
Future salary increases	8.00%	8.00%

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

The weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 is 21.5 years and 19.4 years, respectively.

Sensitivity Analysis

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

2020

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

2019

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

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

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Maturity analysis of the benefit payments:

	2020				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,413,073,310	P252,852,978	P38,533,853	P49,461,016	P164,858,109
	2019				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P947,535,634	P209,175,795	P35,986,562	P34,030,679	P139,158,554

25. Income Taxes

The components of income tax expense are as follows:

	2020	2019	2018
Current tax expense	P3,700,122,821	P3,119,379,310	P2,803,076,753
Deferred tax benefit	(333,827,499)	(312,346,160)	(299,892,203)
	P3,366,295,322	P2,807,033,150	P2,503,184,550

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

	2020	2019	2018
Income before income tax	P11,433,123,679	P9,579,820,928	P8,702,684,843
Income tax expense at the statutory income tax rate:			
30%	P3,560,797,495	P2,980,839,381	P2,675,203,419
5%	3,322,110	5,887,079	6,946,902
Income tax effects of:			
Dividend income exempt from tax	(144,464,413)	(148,063,452)	(142,703,852)
Interest income subject to final tax	(81,896,663)	(62,677,441)	(42,854,455)
Nondeductible interest expense	33,782,374	4,476,385	4,131,613
Other income subject to final tax	(10,868,986)	(1,700,063)	(33,000,000)
Nondeductible other expenses	9,871,798	28,025,380	34,203,912
Changes in unrecognized DTA/DTL	-	245,881	1,257,011
Nontaxable income	(4,248,393)	-	-
	P3,366,295,322	P2,807,033,150	P2,503,184,550

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:

	2020		2019	
	Amount	DTA (DTL)	Amount	DTA (DTL)
PFRS 16*	P7,435,070,339	P2,230,521,102	P6,535,411,179	P1,960,623,354
Retirement benefits liability	1,213,527,101	363,373,202	996,690,473	298,465,692
Actuarial loss	169,529,597	50,869,693	-	-
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	8,825,979,095	2,647,119,614	7,539,953,710	2,261,444,663
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	-	-	(77,605,077)	(23,163,254)
Accrued rent income	(32,619,452)	(9,785,836)	(33,966,325)	(8,808,077)
DTL	(4,631,732,980)	(1,389,519,894)	(4,710,684,930)	(1,411,705,389)
Net	P4,194,246,115	P1,257,599,720	P2,829,268,780	P849,739,274

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

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

Corporate Recovery and Tax Incentives for Enterprise Act (CREATE) Bill

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group.

- a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 01, 2020.
- b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 01, 2020 to 30 June 2023.
- c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprise Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income
- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended
- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended
- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997

The enactment of CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Company will be lowered from 30% to 25% for large corporations, on which the Group would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE ACT.

	As at December 31, 2020	Effect of Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Statement of Comprehensive Income			
Current tax expense	P1,095,973,519	(P309,025,395)	P786,948,124
Deferred tax benefit	(135,343,792)	35,693,491	(99,650,301)
Net income for the year	(8,066,828,357)	(273,331,904)	(8,340,160,261)
Statement of Financial Position			
Deferred tax asset - net	P1,257,599,720	(P17,844,933)	P1,239,754,787
Income tax payable	(1,304,529,529)	309,025,395	(995,504,134)
Statement of Changes in Equity			
Deferred tax asset - net	P118,634,185	11,946,113	P130,580,298

26. Equity

Capital Stock and Additional Paid-in Capital

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

	2020	2019	2018
Common shares- P1 par value			
Authorized	5,000,000,000	5,000,000,000	3,000,000,000
Issued	2,904,214,086	2,904,214,086	2,799,914,086

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

On May 28, 2012, the Parent Company issued 766,406,250 of its common shares in exchange for 100% equity interest in Kareila. The fair value of the shares at acquisition date was P21.50 per share. The additional paid-in capital net of direct transaction costs amounted to P15,661.57 million.

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

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

As at December 31, 2020 and 2019, the number of issued and outstanding common shares is 2,904,214,086 and 2,869,681,406 (P1.00 per share par value), respectively.

Treasury Stock

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

	2020	2019	2018
Balance at beginning of year	34,532,680	34,532,680	19,981,471
Additions	-	-	14,551,209
Balance at end of year	34,532,680	34,532,680	34,532,680

On February 26, 2013, the SEC approved the application for merger of the Parent Company, PJSI and Gant. As a consideration for the said merger, the Parent Company issued shares of stocks equivalent to 16,911,162 shares at P26.55 per share. As a result, 16,911,006 shares of the total shares issued held by the Parent Company were recognized as treasury stock.

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. The Parent Company bought 1,025,000 shares with acquisition cost of P37.75 million as treasury stock.

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

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

Retained Earnings

On December 15, 2017, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of January 2, 2018 and payment date of January 26, 2018. The total amount of dividends is P1.1 billion.

On February 1, 2019, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of February 15, 2019 and payment date of March 1, 2019. The total amount of dividends is P1.1 billion.

On December 10, 2019, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of December 27, 2019 and payment date of January 24, 2020. The total amount of dividends is P1.2 billion.

On December 18, 2020, the Group's BOD approved the declaration of a regular dividend of P0.25 per share and special dividend of P0.20 per share on record date of January 8, 2021 and payment date of January 29, 2021. The total amount of dividends is P1.3 billion.

27. Segment Information

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

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

28. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	2020	2019	2018 (Restated)
Net income (a)	P8,066,828,357	P6,772,787,778	P6,199,500,293
Weighted average number of ordinary shares (b)	2,869,681,406	2,860,989,739	2,765,381,406
Basic/diluted EPS (a/b)	P2.81	P2.37	P2.24

As at December 31, 2020, 2019 and 2018, the Group has no dilutive debt or equity instruments.

29. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

	Note	2020	2019
Cash in banks and cash equivalents	4	P31,949,238,169	P15,709,624,745
Receivables - net	5	2,676,254,583	2,675,551,867
Financial assets at fair value through profit or loss	7	2,411,375,234	34,920,601
Security deposits*	13	2,091,761,905	2,072,158,962
		P39,128,629,891	P20,492,256,175

**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, 2020			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P31,949,238,169	P -	P -	P31,949,238,169
Receivables - net	486,169,184	2,190,085,399	-	2,676,254,583
Financial assets at fair value through profit or loss	2,411,375,234	-	-	2,411,375,234
Security deposits*	-	2,091,761,905	-	2,091,761,905
	P34,846,782,587	P4,281,847,304	P -	P39,128,629,891

*Included under noncurrent assets.

	As of December 31, 2019			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P15,709,624,745	P -	P -	P15,709,624,745
Receivables - net	280,616,651	2,394,935,216	-	2,675,551,867
Financial assets at fair value through profit or loss	34,920,601			34,920,601
Security deposits*	-	2,072,158,962	-	2,072,158,962
	P16,025,161,997	P4,467,094,178	P -	P20,492,256,175

*Included under noncurrent assets.

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

- Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.
- Trade receivables were classified as standard grade, since these pertain to receivables considered as unsecured from third parties with good paying habits. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as standard grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as standard grade as these are paid through salary deductions and have a high probability of collections.
- Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.

- d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

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

	2020		2019	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P1,251,150,122	P -	P1,125,529,821	P -
Past due 1-30 days	1,010,270,542	-	981,590,990	-
Past due 31-60 days	115,867,940	-	110,353,261	-
More than 60 days	306,428,306	7,462,327	465,540,122	7,462,327
	P2,683,716,910	P7,462,327	P2,683,014,194	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, 2020				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P14,064,447,767	P14,064,447,767	P14,064,447,767	P -	P -
Short-term loans payable	-	-	-	-	-
Due to related parties	49,568,517	49,568,517	49,568,517	-	-
Lease liabilities	33,627,625,966	43,172,117,981	2,379,735,845	9,505,471,439	31,286,910,697
Long-term debt including current portion	11,875,122,322	16,216,500,000	42,137,500	168,550,000	16,005,812,500
Other current liabilities**	226,965,736	226,965,736	226,965,736	-	-

*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, 2019				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P12,932,251,118	P12,932,251,118	P12,932,251,118	P -	P -
Short-term loans payable	501,570,353	501,570,353	501,570,353	-	-
Due to related parties	47,117,438	47,117,438	47,117,438	-	-
Lease liabilities	30,415,745,177	46,958,229,466	2,336,995,275	9,672,106,532	34,949,127,659
Long-term debt including current portion	400,000,000	536,533,333	25,600,000	510,933,333	-
Other current liabilities**	197,167,114	197,167,114	197,167,114	-	-

*excluding statutory payables to the government

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

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:

	2020	2019	2018
Financial assets:			
Cash in banks	P10,281,958,993	P5,280,614,006	P2,327,340,011
Money market placements	21,667,279,176	10,429,010,739	7,183,756,488
Government securities	2,383,862,048	-	-
	P34,333,100,217	P15,709,624,745	P9,511,096,499

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P46.60 million, P21.40 million and P13.96 million in 2020, 2019 and 2018, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% interest rate and on the basis that all other variables remain constant.

Other Market Price Risk

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

Capital Management

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

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

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

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

The Group is not subject to externally imposed requirements.

Fair Values of Financial Assets and Liabilities

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

Cash and Cash Equivalents, Receivables, Accounts Payable and Accrued Expenses, Short-term Loans, Due to Related Parties and Other Current Liabilities

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

Financial Assets at FVPL

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

Security Deposits

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

Long-term Loans and Lease Liabilities

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

Fair Value Hierarchy

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

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

As at December 31, 2020 and 2019, the Group's investment in financial assets at FVPL for equity securities and government securities are classified as Level 1 and 2, respectively.



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

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Puregold Price Club, Inc. and Subsidiaries** (the “Group”) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 included in this Form 17-A, and have issued our report thereon dated April 15, 2021.

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

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

Firm Regulatory Registration & Accreditation:

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

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

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

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

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

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

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



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

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'Dindo Marco M. Dioso', followed by a checkmark.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

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

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2019

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

PTR No. MKT 8533899

Issued January 4, 2021 at Makati City

April 15, 2021

Makati City, Metro Manila



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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Puregold Price Club, Inc. and Subsidiaries (the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 15, 2021.

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

Firm Regulatory Registration & Accreditation:

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

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

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

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

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

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

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



This schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of three years in the period ended December 31, 2020 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

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

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2019

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

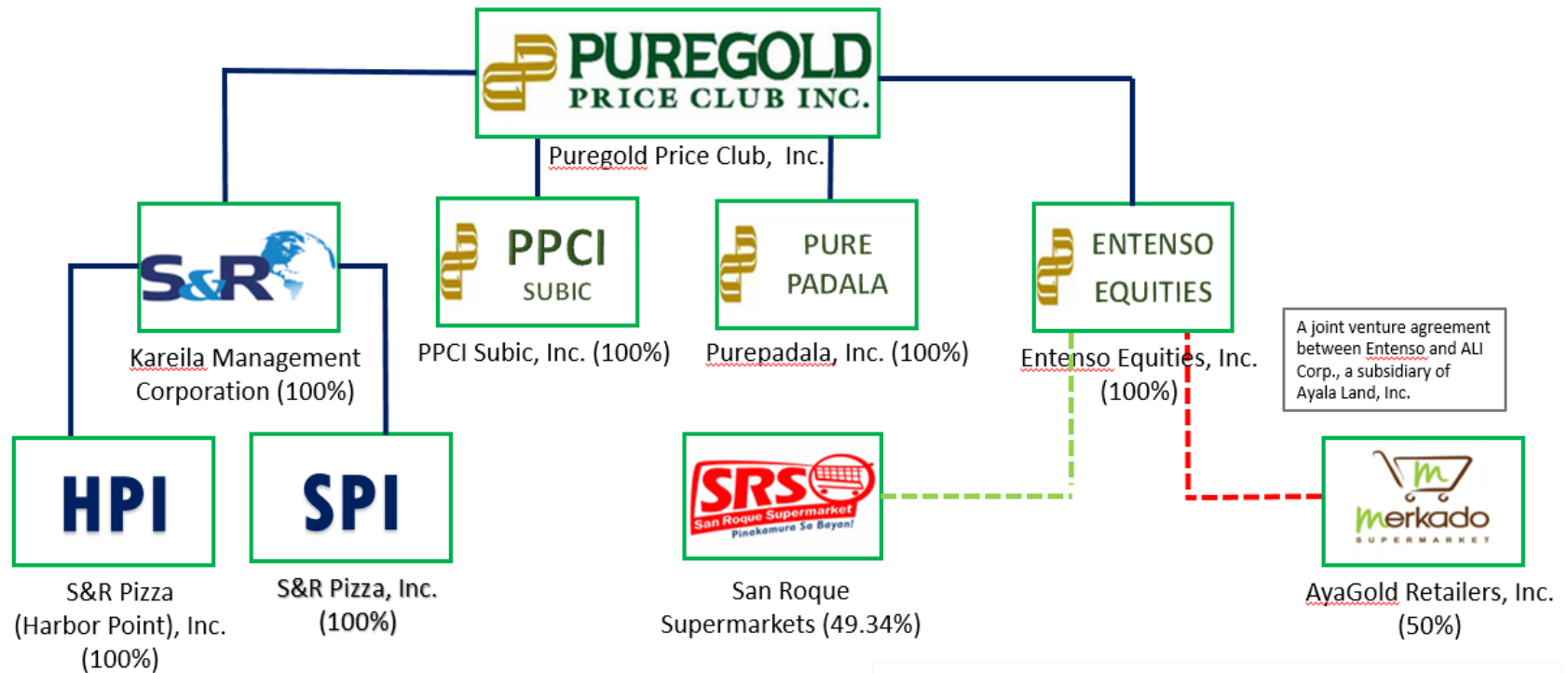
PTR No. MKT 8533899

Issued January 4, 2021 at Makati City

April 15, 2021

Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
Map of Group of Companies Within which the Company Belongs
As at December 31, 2020



Notes:

Purepadala, Inc. – Recently incorporate in October 2018

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

All shares in investment in Joint Venture PG Lawson Inc. have also been sold in 2018

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

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Various banks / Cash and cash equivalents	N/A	P32,724,093,663	P32,724,093,663	P270,451,378*
Various customers and suppliers / Receivables - net	N/A	2,676,254,583	2,676,254,583	-
Various lessors / Security deposit Bureau of Treasury (BTR) / Government securities	N/A	2,091,761,905	2,091,761,905	-
	2,290,000,000	2,383,862,048	2,383,862,048	2,537,500*
Various publicly-listed companies / Equity securities	1,002,192	27,513,186	27,513,186	(7,407,415)**
		P39,903,485,385	P39,903,485,385	P265,581,463

Notes:

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

** This represents unrealized valuation loss on trading securities.

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

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Mr. Lucio L. Co - Chairman	P5,844,653	P34,660,289	(P5,835,412)	P -	P34,669,530	P -	P34,669,530
Various employees	12,757,783	6,544,568	(8,169,934)	-	11,132,417	-	11,132,417
	P18,602,436	P41,204,857	(P14,005,346)	P -	P45,801,947	P -	P45,801,947

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Kareila Management Corporation	P475,000,000	P475,000,000	(P475,000,000)	P -	P475,000,000	P -	P475,000,000
Puregold Price Club, Inc.	74,925,615	11,326,461	(74,925,615)	-	11,326,461	-	11,326,461
	P549,925,615	P486,326,461	(P549,925,615)	P -	P486,326,461	P -	P486,326,461

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

Title of Issue and type of obligation	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	China Banking Corporation	P3,442,718,750	P -	P3,442,718,750	4.5%	N/A	October 10, 2030
	Development Bank of the Philippines	2,975,410,714	-	2,975,410,714	4.0%	N/A	October 10, 2027
	Keb Hana Bank	496,383,929	-	496,383,929	4.0%	N/A	October 10, 2027
	Land Bank of the Philippines	1,487,705,357	-	1,487,705,357	4.0%	N/A	October 10, 2027
	Land Bank of the Philippines	1,487,850,000	-	1,487,850,000	4.5%	N/A	October 10, 2030
	Metropolitan Bank & Trust Co.	992,285,714	-	992,285,714	4.0%	N/A	October 10, 2027
	Shinhan Bank	496,383,929	-	496,383,929	4.0%	N/A	October 10, 2027
	The Insular Life Assurance Company, Ltd.	496,383,929	-	496,383,929	4.0%	N/A	October 10, 2027
Totals		P11,875,122,322	P -	P11,875,122,322			

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

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

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

NOT APPLICABLE

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

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

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of treasury common shares	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares	3,000,000,000	2,904,214,086	(34,532,680)	1,425,418,397	451,644,740	-

PUREGOLD PRICE CLUB, INC.
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2020

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

Unappropriated Retained Earnings, as adjusted, beginning	P21,740,454,119
Net Income based on the face of audited financial statements	4,485,496,106
Less: Non-actual/unrealized income net of tax	
Equity in net income of associates	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	
Equity in net income of a joint venture	
PFRS 16 adjustment on DTA	
Deferred tax benefit	(P214,139,190)
Fair value adjustments (M2M gains)	7,407,415
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	(206,731,775)
Sub-total	4,278,764,331
Add: Non-actual losses	
Unrealized loss on fair value adjustment of investment through P/L	
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	4,278,764,331
Add (Less):	
Dividends declared during the year	(1,303,725,160)
Appropriations of Retained Earnings during the year	
Treasury shares	(56,702,280)
Unappropriated Retained Earnings, as adjusted, ending	P24,658,791,010

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021 and December 31, 2020
and for the Nine Months Ended September 30, 2021 and 2020

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

	<i>Note</i>	September 2021	December 2020
ASSETS			
Current Assets			
Cash and cash equivalents	4	P30,833,243,410	P32,724,093,663
Receivables – net	5	1,583,372,618	2,676,254,583
Merchandise inventories	6	24,527,570,810	20,918,320,287
Financial assets at fair value through profit or loss	7	28,794,232	2,411,375,234
Prepaid expenses and other current assets	8	1,169,740,712	658,106,936
Total Current Assets		58,142,721,782	59,388,150,703
Noncurrent Assets			
Investments in associate and joint venture	9	636,548,430	636,548,430
Property and equipment - net	10	22,721,395,035	21,966,176,496
Intangibles and goodwill	12	19,699,948,945	19,715,894,884
Right-of-use assets - net	11, 19	25,958,328,673	26,137,182,954
Deferred tax assets - net	25	1,334,214,296	1,257,599,720
Other noncurrent assets	13, 19	2,533,903,477	2,491,956,269
Total Noncurrent Assets		72,884,338,856	72,205,358,753
		P131,027,060,638	P131,593,509,456
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14, 23, 26	P8,175,421,376	P14,341,506,837
Income tax payable		569,504,015	1,304,529,529
Lease liabilities due within one year	19	833,345,199	896,500,586
Due to related parties	23	41,278,360	49,568,517
Other current liabilities	16	438,683,702	510,379,655
Total Current Liabilities		10,058,232,652	17,102,485,124
Noncurrent Liabilities			
Long-term loans	15	11,766,623,901	11,875,122,322
Lease liabilities	19	33,616,542,008	32,731,125,380
Retirement benefits liability	24	1,380,372,222	1,383,056,698
Total Noncurrent Liabilities		46,763,538,131	45,989,304,400
Total Liabilities		56,821,770,783	63,091,789,524
Equity			
Capital stock	26	2,904,214,086	2,904,214,086
Additional paid-in capital		25,361,670,581	25,361,670,581
Retirement benefits reserve		(118,634,185)	(118,634,185)
Treasury stock		(102,351,029)	(71,253,489)
Retained earnings		46,160,390,402	40,425,722,939
Total Equity		74,205,289,855	68,501,719,932
		P131,027,060,638	P131,593,509,456

See Notes to the Interim Consolidated Financial Statements.

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

		For the Nine-Month Periods Ended September 30		For the Three-Month Periods July 1 to September 30	
	Note	2021	2020	2021	2020
NET SALES	17	P115,241,028,267	P121,137,647,596	P39,058,279,991	P39,173,196,068
COST OF SALES	6, 18	93,746,581,124	101,293,231,493	31,842,548,536	32,707,812,768
GROSS INCOME		21,494,447,143	19,844,416,103	7,215,731,455	6,465,383,300
OTHER REVENUE	17, 19, 20	2,325,329,396	2,297,556,769	764,116,684	685,878,260
TOTAL GROSS INCOME AND OTHER REVENUE		23,819,776,539	22,141,972,872	7,979,848,139	7,151,261,560
OPERATING EXPENSES	21	14,756,076,507	13,645,236,442	5,059,132,559	4,368,353,263
INCOME FROM OPERATIONS		9,063,700,032	8,496,736,430	2,920,715,580	2,782,908,297
OTHER CHARGES					
Interest expense	10, 15, 19	2,096,634,406	1,567,895,959	683,041,696	524,939,187
Interest income	4, 7	(318,535,183)	(176,508,110)	(81,895,458)	(41,708,886)
Others – net	22	739,203	(25,268,390)	(1,416,161)	(28,590,236)
		1,778,838,426	1,366,119,459	599,730,077	454,640,065
INCOME BEFORE INCOME TAX		7,284,861,606	7,130,616,971	2,320,985,503	2,328,268,232
PROVISION FOR INCOME TAX					
Current		1,706,879,311	2,286,665,190	628,904,456	725,739,576
Deferred		(156,685,168)	(205,612,248)	(57,073,960)	(49,674,488)
	25	1,550,194,143	2,081,052,942	571,830,496	676,065,088
NET INCOME		P5,734,667,463	P5,049,564,029	P1,749,155,007	P1,652,203,144
Basic and diluted earnings per share	28	P2.00	P1.76	P0.61	P0.58

See Notes to the Interim Consolidated Financial Statements.

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

Periods Ended September 30							
		Capital Stock	Additional Paid-in Capital	Retirement Benefits Reserve	Treasury Stock	Retained Earnings	Total Equity
	Note						
Balance at December 31, 2019		P2,904,214,086	P25,361,670,581	P54,467,541	(P71,253,489)	P33,650,251,214	P61,899,349,933
Total comprehensive income for the year							
Net income for the year		-	-	-	-	5,049,564,029	5,049,564,029
Other comprehensive income		-	-	-	-	-	-
		-	-	-	-	5,049,564,029	5,049,564,029
Transaction with owners of the Parent Company							
Cash dividends	26	-	-	-	-	-	-
Balance at September 30, 2020		P2,904,214,086	P25,361,670,581	P54,467,541	(P71,253,489)	P38,699,815,243	P66,948,913,962
Balance at December 31, 2020		P2,904,214,086	P25,361,670,581	(P118,634,185)	(P71,253,489)	P40,425,722,939	P68,501,719,932
Total comprehensive income for the year							
Net income for the year		-	-	-	-	5,734,667,463	5,734,667,463
Other comprehensive income		-	-	-	-	-	-
		-	-	-	-	5,734,667,463	5,734,667,463
Transaction with owners of the Parent Company							
Treasury shares – at cost	26	-	-	-	(31,097,540)	-	(31,097,540)
Balance at September 30, 2021		P2,904,214,086	P25,361,670,581	(P118,634,185)	(P102,351,029)	P46,160,390,402	P74,205,289,855

See Notes to the Interim Consolidated Financial Statements.

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

		Periods Ended September 30	
	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P7,284,861,606	P7,130,616,971
Adjustments for:			
Depreciation and amortization	10, 11, 12, 19, 21	3,443,856,819	3,097,193,874
Interest expense	10, 15, 19	2,096,634,406	1,567,895,959
Interest income	4, 7	(318,535,183)	(176,508,110)
Loss (gain) on sale of financial assets		5,291,597	(36,229,953)
Loss from lease terminations	19	3,523,843	-
Unrealized loss (gain) on financial assets at fair value through profit or loss	7, 22	(1,281,046)	11,747,103
Dividend income	22	(983,255)	(676,873)
Gain on insurance claim	22	(4,791,261)	(513,124)
Operating income before changes in working capital		12,508,577,526	11,593,525,847
Decrease (increase) in:			
Receivables		1,092,881,965	645,484,301
Merchandise inventories		(3,609,250,523)	(3,729,176,355)
Prepaid expenses and other current assets		(666,586,636)	(307,146,710)
Increase (decrease) in:			
Trade and other payables		(4,874,728,828)	(2,510,631,660)
Due to related parties		(8,290,157)	(1,688,863)
Other current liabilities		(71,695,953)	(1,271,593)
Cash generated from operations		4,370,907,394	5,689,094,967
Income taxes paid		(2,286,951,965)	(2,494,285,449)
Interest received		318,535,183	176,508,110
Retirement benefits paid	24	(2,684,476)	(2,955,592)
Net cash provided by operating activities		2,399,806,136	3,368,362,036
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in financial assets at fair value through profit or loss		2,378,570,451	36,229,953
Additions to property and equipment	10	(2,630,781,344)	(1,540,214,093)
Proceeds from:			
Disposal of property and equipment	10	7,666,871	1,034,689
Insurance claim	22	4,791,261	513,124
Increase in:			
Other noncurrent assets		38,123,384	111,939,268
Intangibles	12	(18,561,072)	(14,862,624)
Dividends received	7	983,255	676,873
Net cash used in investing activities		(219,207,194)	(1,404,682,810)

Forward

		Periods Ended September 30	
	Note	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of long-term loans		P- P12,000,000,000	
Repayments of:	15		
Short-term loans		-	(P501,570,353)
Long-term loans		(120,000,000)	(400,000,000)
Repayments of lease:	19		
Interest expense		(1,707,448,787)	(1,548,334,439)
Principal amount		(543,862,195)	(713,925,384)
Payments of:			
Cash dividends	26	(1,291,356,633)	(1,147,872,562)
Interest expense		(377,684,040)	(19,561,520)
Payments for treasury shares	26	(31,097,540)	-
Net cash provided by (used in) financing activities		(4,071,449,195)	7,668,735,742
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,890,850,253)	9,632,414,968
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		32,724,093,663	17,083,459,430
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P30,833,243,410	P26,715,874,398

See Notes to the Interim Consolidated Financial Statements

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

1. Reporting Entity

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

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

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

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

(a) Indirect subsidiaries through Kareila Management Corporation

(b) Newly incorporated and has not started operations yet

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

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

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

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on November 9, 2021.

Historical cost is used as the measurement basis except for:

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

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

Functional and Presentation Currency

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

Significant Judgments, Estimates and Assumptions

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

Judgments

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

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

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

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

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

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

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

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

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

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

The Group has entered into various 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 P248.0 million and P234.9 million in 2021 and 2020, respectively.

Estimates

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

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

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

The carrying amount of receivables amounted P1.6 billion and P2.7 billion as at September 30, 2021 and December 31, 2020, respectively.

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

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

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

The carrying amount of merchandise inventories amounted to P24.5 billion and P20.9 billion as at September 30, 2021 and December 31, 2020, respectively.

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

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

The carrying amounts of goodwill and other intangibles with indefinite lives totaled P19.5 billion as at September 30, 2021 and December 31, 2020, respectively.

Impairment of Non-financial Assets Other than Goodwill

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

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

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

Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

There are no impairment indicators affecting the Group's non-financial assets as at September 30, 2021 and December 31, 2020.

As at September 30, 2021 and December 31, 2020, the following are the carrying amounts of nonfinancial assets:

	Note	September 2021	December 2020
Right-of-use assets - net	11, 19	P25,958,328,673	P26,137,182,954
Property and equipment - net	10	22,721,395,035	21,966,176,496
Investments in associate and joint venture	9	636,548,430	636,548,430
Computer software and licenses, and leasehold rights	12	198,412,096	214,358,035

Estimating Realizability of Deferred Tax Assets (Note 25)

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

As at September 30, 2021 and December 31, 2020, the Group recognized deferred tax assets amounting to P1,334.21 million and P1,257.60 million, respectively.

Estimating Retirement Benefits Liability (Note 24)

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

Retirement benefits liability amounted to P1,380.37 million and P1,383.06 million as at September 30, 2021 and December 31, 2020, respectively.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards and Frameworks

The Group adopted the following relevant amendments to standards and frameworks starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in PFRS Standards set 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.

- Definition of a Business (Amendments to PFRS 3 Business Combinations). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:
 - Confirmed that a business must include inputs and a process, and clarified that:
 - the process must be substantive; and
 - the inputs and process must together significantly contribute to creating outputs;
 - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
 - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- 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 judgements without substantively changing existing requirements.

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

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective June 1, 2020

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

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

Effective January 1, 2022

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

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

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

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

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

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

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards:
 - *Subsidiary as a First-time Adopter (Amendment to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards)*. The amendment simplifies the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of parent, based on the

- parent's date of transition to PFRS.
- *Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments)*. The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16 Leases)*. The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive
- *Taxation in Fair Value Measurements (Amendment to PAS 41 Agriculture)*. The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13 Fair Value Measurement.

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

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

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

Effective January 1, 2023

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

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

Consolidation

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

Business Combinations

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

Statement of Cash Flows

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

Segment Reporting

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

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

Financial Instruments

Financial Assets

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

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

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

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

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

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

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

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

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities.

- payment record - this includes overdue status as well as a range of variables about payment ratios.
- existing and forecast changes in the business, financial and economic conditions.

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

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

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

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

Financial Assets at Amortized Cost

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

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

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

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

Financial Assets at FVOCI

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

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

The Group's unquoted equity securities are included in this category. The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at September 30, 2021 and December 31, 2020.

Financial Assets at FVTPL

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

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

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

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

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

As of September 30, 2021 and December 31, 2020, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

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

Financial Liabilities

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

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

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

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

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

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

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

Offsetting Financial Instruments

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

Fair Value Measurements

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

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

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

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

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

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

Cash and Cash Equivalents

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

Merchandise Inventories

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

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

Property and Equipment

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

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

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

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

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

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

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

Investments in Associates and Joint Arrangements

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

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

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

Intangible Assets

Goodwill and Impairment of Goodwill

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

Other Intangible Assets

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

Impairment of Non-current Assets Other than Goodwill

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

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

A reversal of an impairment loss is recognized immediately as a credit to the Group's profit or loss.

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

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

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

Other Comprehensive Income

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

Revenue Recognition

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

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

Contract Balances

Receivables

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

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

Contract Liabilities

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

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

Cost and Expense Recognition

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

Vendor Rebates and Allowances

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

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

Operating Expenses

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

Leases

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

As a Lessee

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

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

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

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

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

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

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

Variable Lease Payments

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

Lease Modifications as a Lessee

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

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

Short-term Leases and Leases of Low-value Assets

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

As a Lessor

When the Group act as a lessor, it determines at lease commencement whether

each lease is a finance lease or an operating lease.

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

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

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

Borrowing Costs

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

Income Taxes

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

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

Current Tax

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

Deferred Tax

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

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

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

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

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

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

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

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

Value Added Tax (VAT)

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

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

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

Basic and Diluted Earnings Per Share (EPS)

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

equity instruments.

Related Parties

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

Provisions and Contingencies

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

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

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

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account consists of:

	Note	September 2021	December 2020
Cash on hand		P382,456,610	P774,855,494
Cash in banks	29	3,061,219,711	10,281,958,993
Money market placements	23, 29	27,389,567,089	21,667,279,176
	29	P30,833,243,410	P32,724,093,663

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

Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 0.2% to 4.0% in September 2021 and 0.8% to 3.4% in December 2020.

Interest income earned from cash in banks and money market placements totaled

P318.5 million and P176.5 million in September 2021 and 2020, respectively.

5. Receivables

This account consists of:

	Note	September 2021	December 2020
Trade receivables	23	P606,363,306	P1,672,970,351
Nontrade receivables	23	984,471,639	1,010,746,559
		1,590,834,945	2,683,716,910
Less allowance for impairment losses on trade receivables		7,462,327	7,462,327
	29	P1,583,372,618	P2,676,254,583

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

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

6. Merchandise Inventories

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

The Group's merchandise inventories at cost amounted to P24.5 billion and P20.9 billion as at September 30, 2021 and December 31, 2020, respectively.

Inventory charged to the cost of sales amounted to P93.7 billion and P101.3 billion in September 2021 and 2020, respectively (see Note 18).

7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	Note	September 2021	December 2020
Held-for-trading:	22, 29		
Equity securities		P28,794,232	P27,513,186
Government securities		-	2,383,862,048
		P28,794,232	P2,411,375,234

The Group recognized a loss on disposal of government securities amounting to P5.3 million and gain of P36.2 million in September 2021 and 2020, respectively.

Dividend income on equity securities amounted to P1.0 million and P0.7 million on September 2021 and 2020, respectively (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	September 2021	December 2020
Prepaid expenses	P615,111,705	P266,369,411
Input VAT	552,849,498	385,806,491
Creditable withholding tax	1,779,509	5,931,034
	P1,169,740,712	P658,106,936

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

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

The details of prepaid expenses are as follows:

	September 2021	December 2020
Taxes and licenses	P341,183,517	P125,360,561
Insurance	119,610,552	73,780,496
Advertising and promotion	97,635,211	11,095,576
Supplies	23,836,904	33,740,309
Repairs and maintenance	3,433,712	3,753,287
Others	29,411,809	18,639,182
	P615,111,705	P266,369,411

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

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

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

9. Investments in Associate and Joint Venture

The details of this account are as follows:

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

Investment in Associate

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

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

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

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

	December 2020
Percentage of ownership	49.34%
Current assets	P4,892,031,522
Noncurrent assets	811,536,266
Current liabilities	(871,930,420)
Noncurrent liabilities	(4,456,496,386)
Net assets	375,140,982
Group's share in net assets	185,094,561
Goodwill	276,058,136
Carrying amount of interest in associate	P461,152,697
Net sales	P5,854,701,965
Net income	19,294,939
Group's share in net income	P9,520,123

Investment in Joint Ventures

AyaGold Retailers, Inc.

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

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

The redeemable preferred shares shall have the following features: voting rights; participating in dividends declaration for common shares and may be entitled to such

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

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

	September 2021	December 2020
Balance at beginning of year	P176,445,524	P175,395,733
Share in net income	-	1,049,791*
Balance at end of year	P176,445,524	P176,445,524

*Unrecognized share in net income

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

	December 2020
Percentage of ownership	50%
Current assets	P295,591,774
Noncurrent assets	455,987,422
Total liabilities	(398,688,147)
Net assets	352,891,049
Group's share in net assets	176,445,524
Impact of adoption of PFRS 16	-
Carrying amount of interest in joint venture	P176,445,524
Net sales	P697,594,488
Net income	2,099,583
Group's share in net income	P1,049,791

PG Lawson Company, Inc.

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

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

10. Property and Equipment

The movements in this account are as follows:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, December 31, 2019	P6,660,775,009	P3,004,027,203	P9,930,648,393	P12,303,356,162	P436,227,845	P1,403,857,751	P33,738,892,363
Additions	104,575,833	209,288,083	748,454,587	942,689,811	500,664,000	701,858,410	3,207,530,724
Reclassifications	55,819,302	15,688,662	180,649,163	606,737,904	-	(858,895,031)	-
Disposals	(849,310)	(809,940)	(18,481,242)	(179,067,758)	-	-	(199,208,250)
Balance, December 31, 2020	6,820,320,834	3,228,194,008	10,841,270,901	13,673,716,119	936,891,845	1,246,821,130	36,747,214,837
Additions	82,147,847	151,560,586	603,665,073	598,562,931	240,318,720	954,526,187	2,630,781,344
Reclassifications	71,333,399	28,041,365	378,831,796	1,147,323,747	-	(1,625,530,307)	-
Disposals	(8,051,221)	(3,010,347)	(29,779,520)	(1,497,305)	(683,516)	-	(43,021,909)
Balance, September 30, 2021	6,965,750,859	3,404,785,612	11,793,988,250	15,418,105,492	1,176,527,049	575,817,010	39,334,974,272
Accumulated Depreciation and Amortization							
Balance, December 31, 2019	P1,505,584,941	P1,544,745,088	P6,723,444,461	P2,803,427,008	P-	P-	P12,577,201,498
Depreciation and amortization	223,540,151	258,513,522	1,152,000,317	767,588,992	-	-	2,401,642,982
Reclassifications	212,773	-	-	(212,773)	-	-	-
Disposals	(473,213)	(812,939)	(17,452,230)	(179,067,757)	-	-	(197,806,139)
Balance, December 31, 2020	1,728,864,652	1,802,445,671	7,857,992,548	3,391,735,470	-	-	14,781,038,341
Depreciation and amortization	173,841,902	203,015,013	840,756,459	650,282,560	-	-	1,867,895,934
Reclassifications	5,248,872	(737,178)	56,218	(4,567,912)	-	-	-
Disposals	(1,878,619)	(2,893,805)	(29,085,309)	(1,497,305)	-	-	(35,355,038)
Balance, September 30, 2021	1,906,076,807	2,001,829,701	8,669,719,916	4,035,952,813	-	-	16,613,579,237
Carrying Amount							
December 31, 2020	P5,091,456,182	P1,425,748,337	P2,983,278,353	P10,281,980,649	P936,891,845	P1,246,821,130	P21,966,176,496
September 30, 2021	P5,059,674,052	P1,402,955,911	P3,124,268,334	P11,382,152,679	P1,176,527,049	P575,817,010	P22,721,395,035

Interest expense on loans capitalized as part of property and equipment amounted to P11.1 million and P2.9 million in September 2021 and December 2020, respectively (see Note 15).

11. Right-of-Use Assets

The movements in this account are as follows:

	September 2021	December 2020
Cost		
Balance at January 1	P37,169,222,475	P33,014,871,924
Additions	2,047,751,371	2,700,793,126
Modifications to leases	13,948,382	1,612,512,914
Terminated leases	(7,094,387,331)	(137,882,964)
Derecognition of right-of-use assets	(113,342,984)	(21,072,525)
Balance at end of period	32,023,191,913	37,169,222,475
Accumulated Depreciation		
Balance at January 1	11,032,039,521	9,190,189,876
Depreciation	1,541,453,874	1,874,771,949
Modifications to leases	-	-
Terminated leases	(6,395,660,229)	(11,849,779)
Derecognition of right-of-use assets	(112,969,926)	(21,072,525)
Balance at end of period	6,064,863,240	11,032,039,521
Carrying Amount at end of period	P25,958,328,673	P26,137,182,954

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

12. Goodwill and Other Intangibles

This account consists of:

	September 2021	December 2020
Goodwill	P14,902,423,321	P14,902,423,321
Trademark	3,709,660,547	3,709,660,547
Customer relationships	889,452,981	889,452,981
Computer software and licenses - net	153,891,864	167,011,990
Leasehold rights – net	44,520,232	47,346,045
	P19,699,948,945	P19,715,894,884

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

The details of goodwill are as follows:

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

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

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

VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 6.1% to 7.6% in 2020 and 9.5% to 11% in 2019. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 5% and 8% for the CGUs. The average operating margins applied in the projected periods ranged between 2% and 6% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.8% and 4.4% for the CGUs.

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

	Pre-tax Discount Rate		Growth Rate (Terminal Value)	
	2020	2019	2020	2019
Kareila	5.94%	11.0%	2.6%	3.0%
Budgetlane Supermarkets	6.95%	11.0%	2.6%	3.0%
Gant	7.29%	10.9%	2.6%	3.0%
DCI and FLSTCI	7.06%	10.6%	2.6%	3.0%

As at December 31, 2020, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if either of the following change occurs: discount rate increased by 0.3% or growth rate decreased by 1%.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	September 2021	December 2020
Cost		
Balance at January 1	P445,836,801	P417,158,774
Additions	18,561,072	28,678,027
Balance at end of period	464,397,873	445,836,801
Accumulated Amortization		
Balance at January 1	278,824,811	239,173,716
Amortization	31,681,198	39,651,095
Balance at end of period	310,506,009	278,824,811
Carrying Amount At end of period	P153,891,864	P167,011,990

Leasehold Rights

The movements in leasehold rights are as follows:

	September 2021	December 2020
Cost		
Balance at January 1	P75,355,005	P75,355,005
Accumulated Amortization		
Balance at January 1	28,008,960	24,241,211
Amortization	2,825,813	3,767,749
Balance at end of period	30,834,773	28,008,960
Carrying Amount at end of period	P44,520,232	P47,346,045

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

13. Other Noncurrent Assets

This account consists of:

	Note	September 2021	December 2020
Security deposits	29	P2,099,419,823	P2,091,761,905
Advances to contractors		398,260,460	359,695,752
Accrued rent income	19, 25	28,344,034	32,619,452
Others		7,879,160	7,879,160
		P2,533,903,477	P2,491,956,269

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

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

14. Trade and Other Payables

This account consists of:

	Note	September 2021	December 2020
Trade	23, 29	P5,574,818,130	P9,358,065,622
Nontrade	23, 29	1,163,942,532	1,839,972,653
Withholding taxes payable		94,471,018	277,059,070
Dividends payable	26, 29		1,291,356,633
Accrued expenses:	29		
Manpower agency services		724,530,791	944,392,380
Utilities		151,309,418	186,394,878
Rent		64,880,449	80,445,096
Supplies		-	134,746,325
Others		401,469,038	229,074,180
		P8,175,421,376	P14,341,506,837

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

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

15. Loans Payable

This account consists of:

a. Long-term Loans

	Note	September 2021	December 2020
Unsecured Peso Denominated			
Fixed-rate Notes of Parent Company		P11,880,000,000	P12,000,000,000
Fixed-rate Note of Kareila		-	-
		11,880,000,000	12,000,000,000
Unamortized Debt Issue Cost		(113,376,099)	(124,877,678)
	29	P11,766,623,901	P11,875,122,322

Fixed-rate Notes of Parent Company

On September 30, 2020, the Parent Company raised P12 billion from the issuance of fixed-rate corporate notes for its store network expansion. This consists of P7-billion notes that have a seven-year tenor and P5-billion notes that have a 10-year tenor with interest rates ranging from 4.00% to 4.513%.

The movement in debt issue costs are as follows:

	September 2021	December 2020
Balance at beginning of the period	P124,877,678	P -
Additions	-	129,000,000
Amortization	(11,501,580)	(4,122,322)
Balance at end of the period	P113,376,099	P124,877,678

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

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

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

Fixed-rate Note of Kareila

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

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

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

In 2020, Kareila fully paid the remaining balance.

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

	September 2021				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans	P11,880,000,000	P16,054,335,000	P41,716,125	P166,864,500	P15,845,754,375

	December 2020				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans	P12,000,000,000	P16,216,500,000	P42,137,500	P168,550,000	P16,005,812,500

The loans are not subject to any covenants.

Interest expense charged to profit or loss amounted to P389.2 million and P19.6 million in September 2021 and 2020, respectively.

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

16. Other Current Liabilities

This account consists of:

	Note	September 2021	December 2020
Deposits from tenants	19, 29	P200,928,915	P226,788,588
Unredeemed gift certificates		194,755,425	210,388,129
VAT payable		32,142,239	63,873,811
Promotion fund		9,780,047	9,151,979
Others	29	1,077,076	177,148
		P438,683,702	P510,379,655

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

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

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of September 30, 2021 and December 31, 2020. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

17. Revenue from Contract with Customers

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

	Note	2021	2020
Net sales from stores		P115,241,028,267	P121,137,647,596
Concession fee income	20	1,515,448,906	1,509,677,352
Membership fee income	20	423,710,573	441,832,852
Revenue from contract with customers		P117,180,187,746	P123,089,157,800

18. Cost of Sales

This account for the periods ended September 30 consists of:

	Note	2021	2020
Beginning inventory	6	P20,918,320,287	P19,526,196,704
Add purchases		97,355,831,647	105,022,407,848
Total goods available for sale		118,274,151,934	124,548,604,552
Less ending inventory	6	24,527,570,810	23,255,373,059
		P93,746,581,124	P101,293,231,493

19. Leases

Lessee

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 5 years to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1%-10% escalation or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

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

	September 2021	December 2020
Due within one year	P833,345,199	P896,500,586
Due beyond one year	33,616,542,008	32,731,125,380
	P34,449,887,207	P33,627,625,966

The movements in lease liabilities are as follows:

	Note	September 2021	December 2020
Balance at January 1	29	P33,627,625,966	P30,415,745,177
Additions		1,952,654,962	2,618,157,181
Accretion of interest expense		1,707,448,787	2,121,718,052
Repayments		(2,330,202,618)	(2,978,079,955)
Terminations		(521,588,272)	(162,427,403)
Modifications		13,948,382	1,612,512,914
Balance at end of period		P34,449,887,207	P33,627,625,966

Shown below is the maturity analysis of the undiscounted lease payments:

	September 2021	December 2020
Less than one year	P2,603,603,903	P2,379,735,845
One to five years	12,694,866,886	9,505,471,439
More than five years	40,959,294,448	31,286,910,697
	P56,257,765,237	P43,172,117,981

The following are the amounts recognized in profit or loss:

	September 2021	September 2020
Variable lease payments not included in the measurement of lease liabilities	P377,661,966	P427,720,970
Expenses related to leases of low-value assets	22,879,822	24,751,161
Expenses related to short-term leases	4,640,886	5,197,102
Total rent expense	405,182,674	457,669,233
Interest accretion on lease liabilities	1,707,448,787	1,548,334,439
Depreciation charge for right-of-use assets	1,541,453,874	1,354,877,711
Gain (loss) from lease terminations	(3,523,843)	26,826

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

As Lessor

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

Rent income recognized in profit or loss amounted to P248.0 million and P234.9 million in September 2021 and 2020, respectively (see Note 20).

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

	September 2021	December 2020
Due within one year	P239,881,965	P252,349,078
Due more than one year but not more than five years	377,706,344	355,779,186
Due more than five years	967,651,068	43,755,679
	P1,585,239,377	P651,883,943

20. Other Revenue

This account consists of:

	Note	September 2021	September 2020
Concession fee income	17	P1,515,448,906	P1,509,677,352
Membership fee income	17	423,710,573	441,832,852
Rent income	19	248,002,716	234,941,869
Miscellaneous		138,167,201	111,104,696
		P2,325,329,396	P2,297,556,769

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

21. Operating Expenses

This account for the periods ended September 30 consists of:

	Note	2021	2020
Depreciation and amortization	10, 11, 12, 19	P3,418,561,847	P3,067,744,032
Manpower agency services		2,634,246,994	2,609,434,132
Communication, light and water		1,741,550,865	1,606,930,754
Salaries and wages		1,741,489,121	1,668,214,160
Security services		793,635,105	702,594,367
Taxes and licenses		723,609,619	675,475,969
Repairs and maintenance		512,985,238	360,735,744
Store and office supplies		460,155,494	397,998,081
Rent	19	405,182,674	457,669,233
Credit card charges		324,759,393	309,434,610
Advertising and marketing		309,890,607	342,305,311
Transportation		301,304,543	165,635,497
Insurance		174,936,382	163,489,222
SSS/Medicare and HDMF contributions		158,184,602	135,700,129
Input VAT allocable to exempt sales		148,775,962	148,223,156
Janitorial and messengerial services		147,362,849	146,522,279
Other selling expenses		126,375,723	132,793,735
Representation and entertainment		96,700,410	84,231,987
Fuel and oil		66,766,260	53,087,731
Royalty	23	41,278,360	45,428,575
Professional fees		19,609,100	18,514,999
Miscellaneous		408,715,359	353,072,739
		P14,756,076,507	P13,645,236,442

22. Others

This account for the periods ended September 30 consists of:

	Note	2021	2020
Gain (loss) on sale of investment	7	(P5,291,597)	P36,229,953
Gain on insurance claims		4,791,261	513,124
Gain (loss) from lease terminations	19	(3,523,843)	26,826
Dividend income	7	983,255	676,873
Unrealized valuation gain (loss) on financial assets at FVPL	7	1,281,046	(11,747,103)
Foreign exchange gains		1,521,400	1,275,542
Bank charges		(500,725)	(1,706,825)
		(P739,203)	P25,268,390

23. Related Party Transactions

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

Related Party	Year	Note	Amount of Transactions for the Nine-month Periods	Money Market Placements (see Note 4)	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 14)	Nontrade Payable, Loans and Lease Liabilities (see Notes 14, 15 and 19)	Due to Related Parties	Terms	Conditions
Parent											
Dividends	2021		P -	P -	P -	P -	P -	P -	P -	Due and demandable	Unsecured
	2020		634,890,235	-	-	-	-	634,890,235	-		
Loans	2021	D	-	-	-	-	-	-	-	6 months; interest bearing at 4.5%-5%	
	2020	D	-	-	-	-	-	-	-		
Other expenses	2021	D	42,082	-	-	-	-	-	-		
	2020	D	1,603,845	-	-	-	-	-	-		
Entities under Common Control											
Leases	2021	A	852,924,989	-	-	869,684	-	5,679,221,437	-	Due and demandable	Unsecured; no impairment
	2020	A	715,203,314	-	-	808,983	-	4,150,693,309	-	Due and demandable	Unsecured
Concession expense	2021		164,406,263	-	-	-	-	-	-	Original maturity of less than 3 months	
	2020		289,149,102	-	-	-	-	-	-		
Short-term investments	2021	4	100,006,222	100,006,222	-	-	-	-	-		
	2020	4	3,320,402,583	-	-	-	-	-	-		
Purchase of merchandise	2021		1,702,914,139	-	-	-	357,638,089	-	-	Due and demandable	Unsecured
	2020		1,253,432,426	-	-	-	668,693,569	-	-	Due and demandable	Unsecured
Sale of merchandise	2021		69,965,501	-	87,029,727	-	-	-	-	Due and demandable	Unsecured; no impairment
	2020		87,809,128	-	62,058,898	-	-	-	-	Due and demandable	Unsecured; no impairment
Security deposits	2021	A	10,282,548	-	-	24,160	-	400,790	-	Due and demandable	Unsecured; no impairment
	2020	A	74,668,628	-	-	20,358	-	2,784,888	-	Due and demandable	Unsecured; no impairment
Advances	2021		-	-	-	116,000,000	-	-	-	Due and demandable	Unsecured; no impairment
	2020		-	-	-	116,000,000	-	-	-	Due and demandable	Unsecured
Management fee	2021		6,365,366	-	-	-	-	5,892,630	-	Due and demandable	Unsecured
	2020		7,938,766	-	-	-	-	5,705,121	-	Due and demandable	Unsecured
Fixed asset	2021		645,921	-	-	123,634,118	-	-	-	Due and demandable	Unsecured
	2020		123,605,248	-	-	123,617,038	-	-	-	Due and demandable	Unsecured
Loans	2021	D	-	-	-	-	-	2,190,395	-	Due and demandable	
	2020	D	1,570,353	-	-	-	-	-	-	Due and demandable	
Expense reimbursement	2021		192,479,991	-	-	8,887,506	-	8,376,553	-	Due and demandable	Unsecured
	2020		133,416,913	-	-	7,684,888	-	-	-	Due and demandable	
Stockholder											
Royalty expense	2021	c	41,278,360	-	-	-	-	-	41,278,360	30 years and subject to renewal	Unsecured
	2020	c	45,428,575	-	-	-	-	-	49,568,517		
Leases	2021	a	18,972,842	-	-	-	-	-	-		
	2020	a	18,420,235	-	-	-	-	-	-		
Key Management Personnel											
Short-term benefits	2021		38,578,560	-	-	-	-	-	-		
	2020		36,888,385	-	-	-	-	-	-		
Total	September 2021			P100,006,222	P87,029,727	P249,415,468	P357,638,089	P5,696,081,805	P41,278,360		
Total	December 2020			P -	P62,058,898	P248,131,267	P668,693,569	P4,794,073,553	P49,568,517		

a. Leases - Group as a Lessee

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

b. Consignment and Concession

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

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

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

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

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

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.
- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.
- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

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

c. License Agreement

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

d. Loans

Cosco

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

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

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

In 2020, Kareila paid the remaining balance and there were no availments during the year.

Puregold Finance

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

In 2019, the Parent Company obtained an unsecured short-term loan from Puregold Finance amounting to P9.0 million. In 2020, the Parent Company paid the remaining balance and there were no availments during the year.

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

24. Retirement Benefits Liability

The Parent Company and its subsidiaries has 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, 2020. 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 is as follows:

	September 2021	December 2020
Present value of defined benefit obligation	P1,410,389,834	P1,413,074,310
Fair value of plan assets	(30,017,612)	(30,017,612)
Retirement benefits liability	P1,380,372,222	P1,383,056,698

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

	September 2021	December 2020
Balance at beginning of period	P1,413,074,310	P947,535,634
Included in profit or loss		
Current service cost	-	177,499,305
Interest cost	-	49,461,361
	-	226,960,666
Benefits paid	(2,684,476)	(8,638,936)
Included in other comprehensive income		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	-	319,027,413
Experience adjustments	-	(71,810,467)
	-	247,216,946
Balance at end of period	P1,410,389,834	P1,413,074,310

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

	September 2021	December 2020
Beginning of the period	P30,017,612	P28,450,238
Interest income	-	1,485,102
Remeasurement gain	-	82,272
End of the period	P30,017,612	P30,017,612

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

	September 2021	December 2020
Beginning of period	P169,529,597	(P77,605,077)
Actuarial losses for the period	-	247,134,674
Ending balance	P169,529,597	P169,529,597

The cumulative actuarial gain or loss, net of income tax effect, amounted to P118.63 million as at September 30, 2021 and December 31, 2020, which are presented as retirement benefits reserve in the equity section of the consolidated statements of financial position.

The Group's plan assets consist of the following:

	September 2021	December 2020
Cash in banks	P3,293,644	P3,293,644
Debt instruments - government securities	26,527,304	26,527,304
Trust fees payable	(14,073)	(14,073)
Other receivables	210,737	210,737
	P30,017,612	P30,017,612

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

The Group does not expect to contribute to the plan in 2021.

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

	December 2020
Discount rate	3.95%
Future salary increases	8.00%

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

The weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 is 21.5 years and 19.4 years, respectively.

Sensitivity Analysis

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

December 2020

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

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

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Maturity analysis of the benefit payments:

	December 2020				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,413,073,310	P252,852,978	P38,533,853	P49,461,016	P164,858,109

25. Income Taxes

The components of income tax expense are as follows:

	September 2021	September 2020
Current tax expense	P1,706,879,311	P2,286,665,190
Deferred tax benefit	(156,685,168)	(205,612,248)
	P1,550,194,143	P2,081,052,942

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

	September 2021	September 2020
Income before income tax	P7,284,861,606	P7,130,616,971
Income tax expense at the statutory income tax rate:		
30%	P1,813,935,467	P2,127,216,914
5%	1,455,859	1,994,696
Income tax effects of:		
Dividend income	(245,814)	(203,062)
Interest income subject to final tax	(79,149,093)	(51,926,870)
Nondeductible interest expense	18,258,483	420,250
Other income subject to final tax	-	(10,868,986)
Nondeductible other expenses	11,674,411	13,129,657
Changes in unrecognized DTA/DTL	595,209	1,895,327
Create Law adjustment	(215,793,023)	-
Nontaxable income	(537,356)	(604,984)
	P1,550,194,143	P2,081,052,942

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:

	September 2021		December 2020	
	Amount	DTA (DTL)	Amount	DTA (DTL)
PFRS 16*	P7,739,937,701	P2,306,737,943	P7,435,070,339	P2,230,521,102
Retirement benefits liability	1,210,842,625	362,702,083	1,213,527,101	363,373,202
Actuarial loss	169,529,597	50,869,693	169,529,597	50,869,693
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	9,128,161,981	2,722,665,336	8,825,979,095	2,647,119,614
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	-	-	-	-
Accrued rent income	(28,344,034)	(8,716,982)	(32,619,452)	(9,785,836)
DTL	(4,627,457,562)	(1,388,451,040)	(4,631,732,980)	(1,389,519,894)
Net	P4,500,704,419	P1,334,214,296	P4,194,246,115	P1,257,599,720

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

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

Corporate Recovery and Tax Incentives for Enterprise Act (CREATE) Bill

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group.

- a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 01, 2020.
- b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 01, 2020 to 30 June 2023.
- c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprise Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income
- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended
- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended
- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997

The enactment of CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Company will be lowered from 30% to 25% for large corporations, on which the Group would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE ACT.

	As at December 31, 2020	Effect of Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Statement of Comprehensive Income			
Current tax expense	P1,095,973,519	(P309,025,395)	P786,948,124
Deferred tax benefit	(135,343,792)	35,693,491	(99,650,301)
Net income for the year	(8,066,828,357)	(273,331,904)	(8,340,160,261)
Statement of Financial Position			
Deferred tax asset – net	P1,257,599,720	(P17,844,933)	P1,239,754,787
Income tax payable	(1,304,529,529)	309,025,395	(995,504,134)
Statement of Changes in Equity			
Deferred tax asset – net	P118,634,185	11,946,113	P130,580,298

26. Equity

Capital Stock and Additional Paid-in Capital

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

	September 2021	December 2020
Common shares- P1 par value		
Authorized	5,000,000,000	5,000,000,000
Issued	2,904,214,086	2,904,214,086

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

On May 28, 2012, the Parent Company issued 766,406,250 of its common shares in exchange for 100% equity interest in Kareila. The fair value of the shares at acquisition date was P21.50 per share. The additional paid-in capital net of direct transaction costs amounted to P15,661.57 million.

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

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

As at September 30, 2021 and December 31, 2020, the number of issued and outstanding common shares is 2,904,214,086 (P1.00 per share par value).

Treasury Stock

The Group's treasury shares are as follows:

	September 2021	December 2020
Balance at beginning of period	34,532,680	34,532,680
Additions	880,000	-
Balance at end of period	35,412,680	34,532,680

On February 26, 2013, the SEC approved the application for merger of the Parent Company, PJSI and Gant. As a consideration for the said merger, the Parent Company issued shares of stocks equivalent to 16,911,162 shares at P26.55 per share. As a result, 16,911,006 shares of the total shares issued held by the Parent Company were recognized as treasury stock.

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. The Parent Company bought 1,025,000 shares with acquisition cost of P37.75 million as treasury stock.

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

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

In 2021, The Parent Company bought back a total of 880,000 shares for a total amount of P31.10 million.

Retained Earnings

On December 15, 2017, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of January 2, 2018 and payment date of January 26, 2018. The total amount of dividends is P1.1 billion.

On February 1, 2019, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of February 15, 2019 and payment date of March 1, 2019. The total amount of dividends is P1.1 billion.

On December 10, 2019, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of December 27, 2019 and payment date of January 24, 2020. The total amount of dividends is P1.2 billion.

On December 18, 2020, the Group's BOD approved the declaration of a regular dividend of P0.25 per share and special dividend of P0.20 per share on record date of January 8, 2021 and payment date of January 29, 2021. The total amount of dividends is P1.3 billion.

27. Segment Information

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

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

28. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	September 2021	September 2020
Net income (a)	P5,734,667,463	P5,049,564,029
Weighted average number of ordinary shares (b)	2,868,801,406	2,869,681,406
Basic/diluted EPS (a/b)	P2.00	P1.76

As at September 30, 2021 and December 31, 2020, the Group has no dilutive debt or equity instruments.

29. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks

faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

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

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

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

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

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

	Note	September 2021	December 2020
Cash in banks and cash equivalents	4	P30,450,786,800	P31,949,238,169
Receivables - net	5	1,583,372,618	2,676,254,583
Financial assets at fair value through profit or loss	7	28,794,232	2,411,375,234
Security deposits*	13	2,099,419,823	2,091,761,905
		P34,162,373,473	P39,128,629,891

**Included under noncurrent assets.*

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

	As of September 30, 2021			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P30,450,786,800	P -	P -	P30,450,786,800
Receivables - net	1,583,372,618	-	-	1,583,372,618
Financial assets at fair value through profit or loss	28,794,232	-	-	28,794,232
Security deposits*	-	2,099,419,823	-	2,099,419,823
	P32,062,953,650	P2,099,419,823	P -	P34,162,373,473

**Included under noncurrent assets.*

As of December 31, 2020				
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P31,949,238,169	P -	P -	P31,949,238,169
Receivables - net	486,169,184	2,190,085,399	-	2,676,254,583
Financial assets at fair value through profit or loss	2,411,375,234	-	-	2,411,375,234
Security deposits*	-	2,091,761,905	-	2,091,761,905
	P34,846,782,587	P4,281,847,304	P -	P39,128,629,891

*Included under noncurrent assets.

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

- Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.
- Trade receivables were classified as standard grade, since these pertain to receivables considered as unsecured from third parties with good paying habits. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as standard grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as standard grade as these are paid through salary deductions and have a high probability of collections.
- Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.
- Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

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

	September 2021		December 2020	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P667,130,747	P -	P1,251,150,122	P -
Past due 1-30 days	188,563,958	-	1,010,270,542	-
Past due 31-60 days	74,358,411	-	115,867,940	-
More than 60 days	660,781,829	7,462,327	306,428,306	7,462,327
	P1,590,834,945	P7,462,327	P2,683,716,910	P7,462,327

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at September 30, 2021				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P8,080,950,358	P8,080,950,358	P8,080,950,358	P -	P -
Short-term loans payable	-	-	-	-	-
Due to related parties	41,278,360	41,278,360	41,278,360	-	-
Lease liabilities	34,449,887,207	56,257,765,237	2,603,603,903	12,694,866,886	40,959,294,448
Long-term debt including current portion	11,766,623,901	16,054,335,000	41,716,125	166,864,500	15,845,754,375
Other current liabilities**	234,148,230	234,148,230	234,148,230	-	-

*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, 2020				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P14,064,447,767	P14,064,447,767	P14,064,447,767	P -	P -
Short-term loans payable	-	-	-	-	-
Due to related parties	49,568,517	49,568,517	49,568,517	-	-
Lease liabilities	33,627,625,966	43,172,117,981	2,379,735,845	9,505,471,439	31,286,910,697
Long-term debt including current portion	11,875,122,322	16,216,500,000	42,137,500	168,550,000	16,005,812,500
Other current liabilities**	226,965,736	226,965,736	226,965,736	-	-

*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:

	September 2021	December 2020
Financial assets:		
Cash in banks	P3,061,219,711	P10,281,958,993
Money market placements	27,389,567,089	21,667,279,176
Government securities	-	2,383,862,048
	P30,450,786,800	P34,333,100,217

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P45.68 million and P46.60 million in September 2021 and December 2020, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% interest rate and on the basis that all other variables remain constant.

Other Market Price Risk

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

Capital Management

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

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

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

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

The Group is not subject to externally imposed requirements.

Fair Values of Financial Assets and Liabilities

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

Cash and Cash Equivalents, Receivables, Accounts Payable and Accrued Expenses, Short-term Loans, Due to Related Parties and Other Current Liabilities

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

Financial Assets at FVPL

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

Security Deposits

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

Long-term Loans and Lease Liabilities

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

Fair Value Hierarchy

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

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

As at September 30, 2021 and December 31, 2020, the Group's investment in financial assets at FVPL for equity securities and government securities are classified as Level 1 and 2, respectively.



ANNEX "C"

PUREGOLD PRICE CLUB, INC.
Annual Stockholders Meeting
May 10, 2022, www.puregold.com.ph

(☐) **Vote by Ballot** – casting votes following the instructions shown in the table below.

(☐) **Vote by Proxy** – appointing the Chairman of the meeting to represent and cast votes following the instructions shown in the table below.

Agenda Item	FOR	AGAINST	ABSTAIN
Approval of the Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2021			
Approval of 2021 Annual Report and Audited Financial Statements			
Re-appointment of RG Manabat & Company as External Auditor of the Company and subsidiaries for the year 2021 with up to P5.7 million remuneration			
<i>Election of Directors</i>			
Lucio L. Co			
Susan P. Co			
Ferdinand Vincent P. Co			
Pamela Justine P. Co			
Leonardo B. Dayao			
Jack T. Huang			
Jaime S. Dela Rosa, <i>Independent Director</i>			
Edgardo G. Lacson, <i>Independent Director</i>			
Marilyn V. Pardo, <i>Independent Director</i>			

Name of Stockholder _____

Number of Shares _____

Signature of Stockholder / Authorized Signatory _____

1. For corporate shareholders, this form must be accompanied by a corresponding secretary's certificate confirming the appointment of the Proxy or the designated representative and the votes cast.

2. Where no specific authority is indicated, the vote shall be deemed for the approval of all the corporate matters listed above and for all the nominated directors named therein.

3. This form should be sent by e-mail to corporate.governance@puregold.com.ph on or before April 29, 2022. The company's stock transfer agent will validate the votes on May 2, 2022, 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

**GUIDELINES FOR PARTICIPATING IN THE 2022 ANNUAL STOCKHOLDERS'
MEETING OF PUREGOLD PRICE CLUB, INC.
VIA REMOTE COMMUNICATION AND VOTING *IN ABSENTIA***

The 2022 Annual Stockholders' Meeting ("**ASM**") of Puregold Price Club, Inc. (the "**Company**") will be held on May 10, 2022, at 10 am, via live Zoom meeting.

Considering the health and safety concerns brought about by COVID 19 pandemic, the ASM will be via remote communication and the voting of stockholders via proxy or *in absentia*.

Registration

Stockholders must notify the Assistant Corporate Secretary of their intention to participate in the ASM via remote communication and/or vote *in absentia* by no later than April 29, 2022, by sending an email at corporate.governance@puregold.com.ph and by submitting the following supporting documents/information:

- Individual Stockholders
 1. Copy of valid government ID of stockholder/proxy
 2. Stock certificate number/s
 3. If appointing a proxy, copy of the proxy form duly signed by the stockholder (need *not* be notarized)
 4. Email address and contact number of stockholder or proxy
- Multiple Stockholders or joint owners
 1. Stock certificate number/s
 2. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
 3. Copy of valid government IDs of all registered stockholders
 4. Email-address and contact number of the authorized representative
- Corporate Stockholders
 1. Secretary's Certification of Board resolution appointing and authorizing a proxy to participate in the ASM
 2. Valid government ID of the authorized representative
 3. Stock certificate number/s
 4. Email-address and contact number of the authorized representative
- Stockholders with Shares under broker account
 1. Certification from the broker as to the number of shares owned by the stockholder
 2. Valid government ID of stockholder
 3. If appointing a proxy, copy of the proxy form duly signed by the stockholder (need *not* be notarized)
 4. Email address and contact number of stockholder or proxy

Online Voting and Meeting

The stockholders who have sent us their intention to participate in the ASM shall be notified via email of their log-in passwords to join the online meeting. There will be video recordings of the ASM, which a stockholder on record may avail upon request.

The stockholders can then cast their votes following these simple steps:

1. Visit our company website www.puregold.com.ph.
2. Look for the "Casting Votes in the 2022 Stockholders' Meeting" button.
3. Fill up the Voting Forms.
4. Submit your vote by clicking the "Submit" button.
5. For our verification, email the required documents under the "registration" portion at corporate.governance@puregold.com.ph
6. After our verification, you will receive an email confirmation regarding your votes from the Company.

Open Forum

There will be Open Forum during the meeting, where representatives of the Company may answer as many questions as time will allow. However, a stockholder may send their questions in advance by emailing corporate.governance@puregold.com.ph on or before April 29, 2022.

The Company's Investor Relations Officer will answer questions received but not answered during the ASM by email.

For any queries or concerns, please contact the office of the Assistant Corporate Secretary at 09178612459 or via email at corporate.governance@puregold.com.ph.