CR02983-2022

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
   Dec 31, 2021
2. SEC Identification Number
   147669
3. BIR Tax Identification No.
   000-432-378
4. Exact name of issuer as specified in its charter
   Cosco Capital, Inc.
5. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   No. 900 Romualdez St., Paco, Manila
   Postal Code
   1007
8. Issuer's telephone number, including area code
   09178612459
9. Former name or former address, and former fiscal year, if changed since last report
   None
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	7,187,529,764

11. Are any or all of registrant's securities listed on a Stock Exchange?
    ◉ Yes ○ No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    The Philippine Stock Exchange, Inc. / common shares
12. Check whether the issuer:

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

    ◉ Yes ○ No

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

- [x] Yes
- [ ] No

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

Please refer to the attached Annual Report

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

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

- [x] Yes
- [ ] No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

SEC 17-A or Annual Report is attached as part of the disclosure

(b) Any information statement filed pursuant to SRC Rule 20

None

(c) Any prospectus filed pursuant to SRC Rule 8.1

None

cosco capital
incorporated

Cosco Capital, Inc.

COSCO

PSE Disclosure Form 17-1 - Annual Report

References: SRC Rule 17 and Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2021
Currency	Php - in thousands

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Current Assets	95,732,896	88,145,784
Total Assets	187,591,750	178,189,826
Current Liabilities	20,787,781	24,589,690
Total Liabilities	64,498,038	68,410,496
Retained Earnings/(Deficit)	65,943,338	58,915,686
Stockholders' Equity	123,093,712	109,779,329
Stockholders' Equity - Parent	81,303,154	74,225,347
Book Value Per Share	17.74	15.79

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Gross Revenue	177,670,401	180,474,149
Gross Expense	162,284,007	165,168,849
Non-Operating Income	639,440	726,803
Non-Operating Expense	2,522,629	2,198,569
Income/(Loss) Before Tax	13,503,205	13,833,535
Income Tax Expense	2,991,716	3,824,607
Net Income/(Loss) After Tax	10,511,489	10,008,927
Net Income/(Loss) Attributable to Parent Equity Holder	6,151,761	5,900,196
Earnings/(Loss) Per Share (Basic)	0.89	0.85
Earnings/(Loss) Per Share (Diluted)	-	-

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2021	Dec 31, 2020
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	4.61	3.58
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	3.3	2.51
Solvency Ratio	**Total Assets / Total Liabilities**	2.91	2.6
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.34	0.38
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.52	0.62
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	7.95	8.96
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.52	1.62
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	19.28	18.21

Net Profit Margin	**Net Profit / Sales**	6.03	5.64
Return on Assets	**Net Income / Total Assets**	0.06	0.06
Return on Equity	**Net Income / Total Stockholders' Equity**	0.09	0.09
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	5.87	6.66

Other Relevant Information
Please see attached SEC 17-A for the year 2021 and the Separate Audited Financial Statement of Cosco Capital, Inc.

Filed on behalf by:

Name	Candy Dacanay-Datuon
Designation	Assistant Corporate Secretary / Compliance Officer

COVER SHEET

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SEC Registration Number

C O S C O   C A P I T A L , I N C .

(Company's Full Name)

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

M A N I L A

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

CANDY H. DACANAY-DATUON

(632) 8522-8801 to 04

(Company Telephone Number)

1 2	3 1	SEC FORM 17-A	0 6	2 4
Month	**Day**	(Form Type)	**Month**	**Day**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.

SEC FORM 17-A, *AS AMENDED*
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. **DECEMBER 31, 2021**
For the fiscal year ended

2. **147669**
SEC Identification Number

3. **000-432-378**
BIR Tax Identification No.

4. **COSCO CAPITAL, INC.**
Exact name of issuer as specified in its charter

5. **MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **No. 900 ROMUALDEZ ST., PACO, MANILA** **1007**
Address of principal office Postal Code

8. **09178612459**
Issuer's telephone number, including area code

9. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stocks as of December 31, 2021	**7,190,421,264**

11. Are any or all of these securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange Common Stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [x] No [ ]

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

Yes [x] No [ ]

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

Shares held by Non-affiliates as of March 31, 2022	Market Value per Share as of March 31, 2022	Total Market Value As of March 31, 2022
1,644,095,766	P4.94	P35,507,780,234.10

DOCUMENTS INCORPORATED BY REFERENCE

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

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

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PART 1: BUSINESS AND GENERAL INFORMATION

ITEM 1 BUSINESS

(1) Business Development

Cosco Capital, Inc. ("Cosco Capital", "Group" or the "Company") was incorporated on January 18, 1988, as Alcorn Gold Resources Corporation, with the primary purpose of engaging in the exploration, development, and production of oil, gas, metallic and non-metallic reserves in partnership with other companies.

On April 12, 2013, the Lucio Co Group and Alcorn Gold Resources Corporation executed a Deed of Assignment wherein the Lucio Co Group shall subscribe to the increase of Alcorn's authorized capital stock at a subscription price of P15 per share for a total of 4,987,406,421 new shares in exchange of an aggregate price of P74,811,096,315.00 worth of shares in Puregold Price Club, Inc., Ellimac Prime Holdings, Inc., Go Fay & Co. Incorporada., SVF Subsidiaries, Nation Realty, Inc., 118 Holdings, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine & Spirits, Inc., Montosco, Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp.

On May 30, 2013, the aforesaid share–swap between the Company and the Lucio Co Group became effective as the new shares issued to the Lucio Co Group were listed on the Philippine Stock Exchange. Alcorn Gold Resources Corporation's change of name to Cosco Capital, Inc. was approved by the Securities and Exchange Commission ("SEC") on April 22, 2013. It became a conglomerate of 12 acquired companies effective June 1, 2013.

On July 5, 2013, SEC approved the registration of Alcorn Petroleum Minerals Corporation ("APMC"), a wholly-owned subsidiary of Cosco Capital, Inc. APMC was organized to pursue the exploration and development of Cosco's interests in oil and mining business activities. On June 11, 2014, a Deed of Assignment was executed between Cosco Capital, Inc. and APMC, formalizing the transfer of Cosco's oil and mining interests to APMC subject to the approval of the Department of Energy, which was subsequently granted on July 2, 2015.

On June 18, 2021, Cosco Capital and The Keepers Holdings, Inc. signed a Deed of Exchange of Shares whereby Cosco subscribed to 11,250,000,000 shares of The Keepers Holdings, Inc. at P2.00 per share in exchange for its 100% ownership in three liquor companies, Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits Corporation.

The share swap transaction between Cosco Capital and The Keepers Holdings, Inc. resulted in the strategic spin-off of the three liquor subsidiaries of Cosco Capital and the injection of these companies into a separate publicly-listed Company thru Cosco Capital acquiring a controlling interest in The Keepers Holdings, Inc.

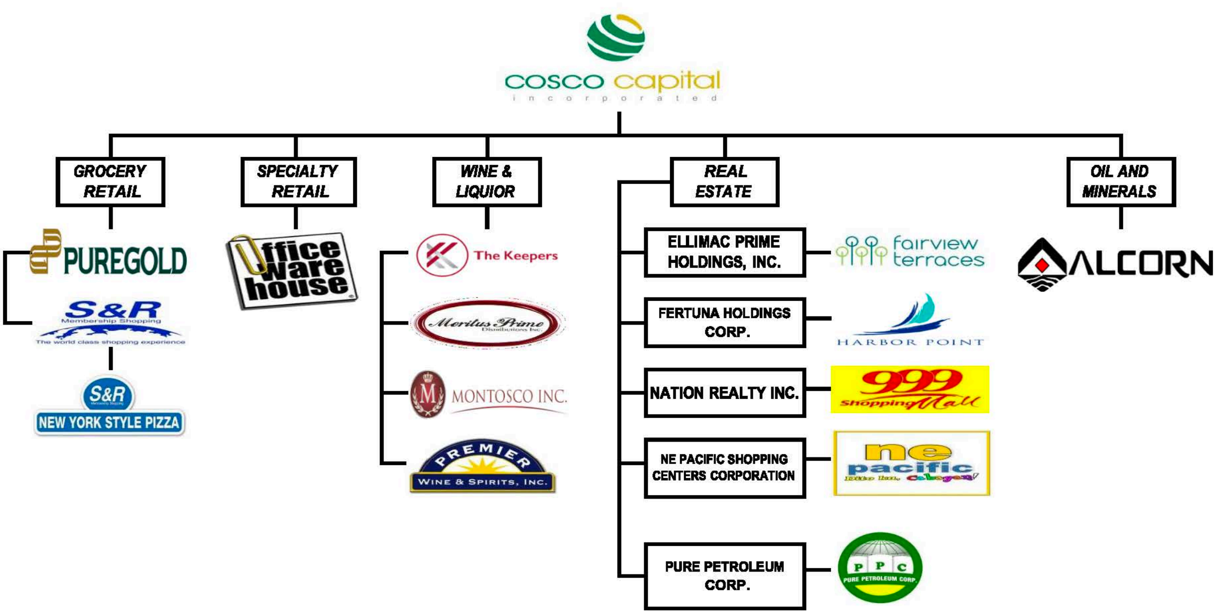
(2) Business of the Issuer

Cosco Capital is currently an investment holding Company. It has a diversified portfolio of business interests in various industries and business segments:

Retail:	Puregold Price Club, Inc. (PGOLD) Kareila Management Corporation (S&R) Office Warehouse, Inc.
Real Estate:	Ellimac Prime Holdings, Inc. Fertuna Holdings Corp. NE Pacific Shopping Centers Corporation Patagonia Holdings Corp. Pure Petroleum Corp. Canaria Holdings Corporation Nation Realty, Inc.
Wine & Liquor:	The Keepers Holdings, Inc. (KEEPR)
Oil & Minerals:	Alcorn Petroleum and Minerals Corporation

The Company's conglomerate map is presented below:

COSCO CAPITAL, INC. AND SUBSIDIARIES CONGLOMERATE MAP



1. *Principal Products and Services*

Brief business discussion of the companies under the Cosco Group:

Retail – Puregold Price Club, Inc.

It is a publicly-listed Company operating a network of 499 Puregold retail outlets and S&R Warehouse Membership Clubs located in strategic areas over the Philippines as at end of 2021. Aside from its physical stores, Puregold maintains two online platforms, “Sally” and “PureGo”, and is affiliated with other online delivery platforms like Pickaroo, Metromart, Lazada, and Shopee.

Puregold’s 499 retail stores are grouped as follows:

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

Puregold stores are divided into four store models:

263 Hypermarket
100 Supermarket
28 Extras
39 Minimart

In addition, Puregold has established joint venture agreements with (1) the founding owners of San Roque Supermarkets which currently owns and operates 30 San Roque supermarkets in Metro Manila, Rizal, and Bulacan province (2) with Ayala Land thru Ayagold Retailers for the development and operation mall-based supermarkets called “Merkado”, which currently has established three outlets in Metro Manila, and (3) with 917Ventures, Inc., a subsidiary of Globe Telecom for the development and commercial operation of an e-commerce platform “PureGo”, which promotes and sells Puregold grocery products.

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

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

Puregold stores are located all over the Philippines:

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

As of December 31, 2021, Cosco Capital owns 48.96% of Puregold's equity.

Retail – Office Warehouse

It has currently 89 Office Warehouse outlets, mainly in Metro Manila and South Luzon. It is a provider and a partner consultant to small and medium enterprises for quality, cost-efficient, and value-adding office solutions.

Office Warehouse is also present online and does e-commerce using its website. It believes in the power of social media; thus, Office Warehouse also uses this forum for its marketing and advertising initiatives. Conversely, Office Warehouse also strengthens its brand by conducting caravans in various offices and universities.

Office Warehouse continues to offer a relevant and up-to-date product mix and assortment at the best possible price. It continues to improve its supply chain capability by automating orders for product replenishment and streamlining its cross-docking services. It maintains its transportation fleet for deliveries to stores and customers while engaging with third-party logistical services to ensure prompt order fulfillment.

To maximize its online presence, Office Warehouse is now partnering with several marketplaces for e-commerce. It is also working on e-payment platforms and other technology-driven tenders for its general business.

As of December 31, 2021, Cosco Capital owns 100% of Office Warehouse's equity.

Real Estate

There are seven companies under the real estate segment of Cosco Capital, namely, Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., NE Pacific Shopping Centers Corporation, Patagonia Holdings Corp., Pure Petroleum Corp., Canaria Holdings Corporation, and Nation Realty, Inc.

Ellimac Prime Holdings, Inc. is the flagship of the real estate companies. 31 out of 35 commercial buildings and 10 out of 11 lands for lease are under Ellimac. The said properties are in the following locations:

Land Lease:

1. Brgy. Subangdaku, Mandaue City, Metro Cebu
2. Angel Linao Street, Brgy. 687, Zone 75, Malate District, Manila
3. Aguinaldo Highway, Brgy. Panapaan 1, Bacoor City, Cavite
4. Governor's Drive, Brgy. San Gabriel, General Mariano Alvarez, Cavite
5. Alabang-Zapote Road, Brgy. Talon Tres, Las Piñas City
6. Colago Avenue, Brgy. 1A (Poblacion), San Pablo City
7. Shaw Boulevard corner S. Laurel St., Brgy. Pleasant Hills, Mandaluyong City
8. Quirino Highway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches District, Quezon City
9. San Nicolas Market, Miranda St. corner Rizal St., Angeles City, Pampanga
10. Juan Luna St., Tayuman, Tondo, Manila

Commercial Building Lease:

1. Quirino Highway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches District, Quezon City
2. San Nicolas Market, Miranda St. corner Rizal St., Angeles City, Pampanga
3. McArthur Highway, Brgy. Dau, Mabalacat, Pampanga
4. Emilio Aguinaldo Highway, Brgy. Anabu II-B, Imus, Cavite
5. Benigno S. Aquino Avenue, Brgy. Bagong Nayon, Baliuag, Bulacan
6. Gen. Luna corner Rizal Streets, Poblacion, San Juan, Batangas
7. Maharlika Highway, Brgy. Bernardo District, Cabanatuan City, Nueva Ecija
8. No. 300 Samson Road, Brgy. 76, Caloocan City
9. Maharlika Highway, Brgy. Masin Sur, Candelaria, Quezon
10. G. Araneta Avenue, Araneta Center, Cubao District, Quezon City
11. Holy Spirit Avenue, Don Antonio Heights, Brgy. Holy Spirit, Quezon City
12. McArthur Highway, Brgy. Sta. Cruz, Guiguinto, Bulacan
13. M. Concepcion Avenue, Brgy. San Joaquin, Pasig City
14. E. Rodriguez, Sr. Avenue corner G. Araneta Avenue, Quezon City
15. Dr. A Santos Avenue, Brgy. San Isidro, Sucat, Parañaque City
16. General Luna St. corner Vesosa St., Brgy. Tuktukan, Taguig City.
17. Avenida R.G. Tanchoco corner Manila East Road, Brgy. San Juan, Taytay, Rizal
18. Juan Luna St. corner Tayuman Road Brgy. 154, Zone 14, Tondo District, Manila
19. No. 419 McArthur Highway, Brgy. Dalandanan, Km. 14, Valenzuela City
20. Circumferencial Road, San Juan Accfa, Cabanatuan City
21. Maharlika Road, Brgy. Abar 2nd, San Jose City, Nueva Ecija
22. NE Mall Suklayin, Baler, Aurora
23. NE Mall - Zulueta St., Cabanatuan City
24. Maunlad Mall, Estrella St., Malolos, Bulacan
25. Agro, Putatan, Muntinlupa City
26. Brookside Lane San Francisco, General Trias, Cavite
27. Ilwas, Subic, Zambales
28. Brgy. 2, Maria Aurora, Aurora
29. Liwasang Kalayaan, Marikina City
30. Bayawan, Negros Oriental
31. San Rafael, Montalban, Rizal

Fertuna Holdings Corp. owns one commercial mall building located at Harbor Point, Rizal Highway cor. Magsaysay Ave. Subic Bay Freeport Zone, Zambales, operates under “Harbor Point Mall" brand. It opened in September 2012. Fertuna's Harbor Point Mall lies within the eco-friendly environment of Subic Bay. The 6.5-hectare mall development is a registered Subic Bay Freeport Enterprise operating in the Freeport Zone. Fertuna is governed by the rules and regulations of the Subic Bay Metropolitan Authority (SBMA) under Republic Act 7277, making it entitled to tax and duty-free importation of certain items.

NE Pacific Shopping Centers Corporation operates a shopping center located at 111 Maharlika Highway, Cabanatuan City, Nueva Ecija. The 10-hectare parcel of land where it is built has a total gross floor area of more than 35,000 square meters. The mall has leasable spaces for different brands and establishments and houses a line of tenants such as the supermarket, department store, hardware and appliance centers, restaurants, and many others. One of the key tenants of the mall is Puregold Price Club, Inc., and government satellite offices of the Social Security System, Philippine Statistics Authority, and Philippine Health Insurance. This one-stop shopping haven provides a unique shopping experience for the family and brings great value for their money.

Also located within the NE Pacific compound is another outlet of S & R Membership Shopping Warehouse Club which serves the S&R carded members in Cabanatuan City and other neighboring towns in Nueva Ecija province.

Patagonia Holdings Corp. owns 1.3 hectares of land in Bonifacio Global City, Taguig City. It is currently being leased to Kareila Management Corporation and used as S&R Membership Warehouse.

Nation Realty, Inc. operates "999 Shopping Mall" in Binondo, Manila. It is a specialty mall, a modern approach to a flea market, or 'tiangge.' The 999-shopping mall is the shopping hub for Filipino shoppers and resellers who want to purchase useful quality items at a very low price. The 999-shopping mall has two buildings. The first is a four-story building with 31,931 square meters of gross floor area, and the second is a seven-story building with a total floor area of 84,292 square meters.

Pure Petroleum, Inc. has a fuel terminal facility inside the Subic Bay Freeport Zone. It currently operates a tank farm of 9 fuel storage tanks with a total capacity of 88.5 Million liters of combined Diesel and Gasoline products, 7 Ethanol tanks of various sizes (350KL,100KL, and 50KL) with a total capacity of 700KL, and 5 CME storage tank 50KL size with a full capacity of 250KL. The terminal also operates jetty facilities for bulk loading and unloading, two units mooring buoy, a water storage tank for fire protection and maintenance, and a truck loading rack.

As of December 31, 2021, Cosco Capital's real estate portfolio:

	Gross Leasable Area	Occupied	%
Land under Lease	160,920.51 sq.m.	139,952.51	86.97%
Commercial Buildings	422,345.20 sq.m.	406,930.53	96.35%
Total	583,265.71 sq.m.	546,883.04	93.76%

As of December 31, 2021, Cosco Capital owns 100% capital stock of all real estate companies.

Wine and Liquor Segment

Three companies within the Cosco Capital umbrella are engaged in the wine, spirits, and related specialty beverages distribution business—Montosco Inc., Meritus Prime Distributions, Inc., and Premier Wines and Spirits, Inc. These three have extensive and long-standing relationships with their brand owners or suppliers, the global market leaders.

Montosco, Inc. is the lead company, having in its portfolio "Alfonso," the number one imported brandy in the country by volume and value. It drives the segment's revenue and bottom line. Completing Montosco's portfolio is Diageo- the leading spirits

Company globally - with Johnnie Walker as its number 1 brand and several other notable global brands. Montosco has maintained a strong relationship with Diageo, including exclusivity on key distribution channels and with Bodegas Williams & Humbert, the producers of Alfonso.

Meritus Prime Distributions, Inc. prides itself on carrying the number one bourbon whiskey brand globally, "Jim Beam" and its exclusive relationship with Beam Suntory group - the third-largest spirits producer globally. It also represents the portfolio of W. Grants, where Glenfiddich, the leading single malt whisky globally, is among its key brands. Rounding the list for Meritus are Roku and Hendricks- one of the growing craft gin brands in the market.

Premier Wines and Spirits, Inc. has an extensive and balanced portfolio of spirits, wines, and specialty beverages. Amongst Premier's key brands are Jose Cuervo, the world's leading tequila, "Jinro", the top spirits brand in the world, "Penfolds", the world's most admired wine brand, "RedBull", the world's number 1 energy drink and "Perrier", the leading sparkling water in the world.

Premier is also an equity joint venture partner of Pernod Ricard (the second-largest spirits Company in the world) in Pernod Ricard Philippines, Inc., the local distribution Company for Pernod Ricard brands. Chivas Regal, Glenlivet, Absolut Vodka, and Martell Cognac are some of its key brands.

The Keepers Holdings, Inc.

On June 18, 2021, Cosco Capital, Inc. and The Keepers Holdings, Inc. *(formerly, Da Vinci Capital Holdings, Inc.)* signed a Deed of Exchange of Shares whereby Cosco Capital subscribed to 11,250,000,000 shares of The Keepers Holdings, Inc. at P2.00 per share in exchange for its 100% ownership in three liquor companies, Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits Corporation.

The share swap transaction between Cosco and The Keepers Holdings, Inc. resulted in the strategic spin-off of the three liquor subsidiaries of Cosco Capital and the injection of these companies into a separate publicly listed Company thru Cosco Capital Inc., acquiring a controlling interest in The Keepers Holdings, Inc.

As of December 31, 2021, Cosco Capital owns 77.54% of The Keepers' equity.

Oil & Mining Segment

Alcorn Petroleum and Minerals Corporation was incorporated on July 5, 2013, as a wholly-owned subsidiary of Cosco Capital to pursue the exploration and development of the Company's interests in oil and mining business activities. The oil and mining interests include a portfolio of participating investments in petroleum exploration and extraction activities in the Palawan and Eastern Visayas regions.

2. ***Percentage of Sales or Revenues from Foreign Sales***

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

3. *Distribution Methods*

Puregold replenishes and distributes its merchandise to various stores by (a) Direct-to-Store delivery (b) cross-sock facilities (c) store-to-store transfer. A substantial portion of Puregold's inventory and other supplies and materials, about 68%, are delivered directly by suppliers to the stores. About 32% of the suppliers who cannot provide to Puregold's stores directly deliver their products to Puregold's out-sourced cross-dock facilities for onward distribution to Puregold stores. All of the Company's stores have a stockroom on-premises with warehousing capabilities for additional inventory. However, stores with large warehouses can accommodate goods intended for nearby small-format stores. As needed, products are transferred from a large store to a small store

Kareila Management Corporation (“S&R”), a wholly-owned subsidiary of Puregold, sends out buyers worldwide to source its best products. S&R imports 45% - 55% of its merchandise. It currently operates four (4) distribution centers.

Office Warehouse's suppliers directly deliver to stores or cross-dock the items through its warehouse facility. Office Warehouse sells to customers through in-store purchases, phone-in-service for delivery and pick-up, or an e-commerce shopping site.

The Keepers has nationwide sales coverage through sub-distributors, but the bulk of business is mainly in urbanized areas. It sells to all segment channels like supermarkets, wholesalers, and on-premises outlets (hotels, restaurants, and bars).

4. *New Products and Services*

There are no new products or services launched in 2021.

5. *Competition*

Puregold competes with SM Supermarkets, Savemore, SM Hypermarkets, Shopwise/Rustan's, Robinsons, Metro Gaisano, and Walter-Mart. But smaller formats like Alfamart of S.M. group are also becoming our strong competitors; likewise, the online retailers, Lazada, Shoppee, Zalora, Grab Food, Food Panda, and Metromart.

Landers competes with the group’s S&R Warehouse Club format. It also has a membership shopping format, offers imported products, and caters to our population's "A" and "B" class segments.

Office Warehouse competes with National Bookstore for the school and office supplies category, and Pandacan Bookshop, operating mainly in the provinces of Luzon, attracts students and homemakers with its various type of merchandise at very low pricing. For business technology, Office Warehouse competes with Octagon and Silicon Valley stores.

The depth, breadth, and leadership position of the brands in the portfolio of the Liquor & Wine Distribution Segment are difficult to match. Major competitors include but are not limited to Future Trade Inc., Phil Wine Merchant, and Wine Warehouse, among others. They offer different brands that the group carries. The Liquor group believes that they have the brands, the scale, the resources, organization, and infrastructure to compete, succeed, lead, and sustain.

6. Suppliers

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

S&R sources most of its merchandise from global vendors who have been supplying to membership clubs worldwide for an extended time.

Office Warehouse imports 95% of its office furniture, 95% of its technology products, and about 75% of its office and school supplies are from local suppliers. It has imported products exclusively distributed by several suppliers like Fellowes for a shredder, binding and laminating machines, Schneider for writing instruments, and Eagle for desk accessories and filing supplies. Other significant suppliers are Brother, Epson, Hewlett-Packard, Canon for printing machines, and Mongol for writing tools.

The Liquor Group has trading relationships with the world's biggest spirits and wine producers, carrying either the top or number-two brands in their respective categories in its portfolio. It also markets key brands in wine, energy drinks, and premium water categories. The Liquor Group brings in finished products from principal suppliers, namely Bodegas Williams & Humbert, Diageo Philippines, Inc., DBBV, William Grants, Suntory Beam, Treasury Wine Estate, Proximo. Existing supply contracts are exclusive and continuing, with terms reviewed annually.

7. Dependence upon single or few suppliers or customer

None of the companies under the Group depend on a single or few suppliers or customers.

Puregold has more than 2,000 regular suppliers and offers various merchandise to the buying public in general. The Company's three largest food suppliers are Nestlé Philippines, Universal Robina Corporation, and Monde Nissin. The Company's three largest non-food suppliers are Procter & Gamble, Unilever Philippines, and Colgate.
Likewise, S&R is not dependent on a single or few customers but on the buying public in general who become members.

Office Warehouse is not dependent upon a single customer or a few customers but on various customers ranging from students, employees, entrepreneurs, and businesses.

Same with the real estate and the liquor group that depends on the general public as customers.

8. Transactions with Related Parties

For the Group's Related Party Transactions, please refer to ***Annex "D"*** hereof.

9. Trademarks

The Group has 89 trademarks and tradenames duly registered with the Intellectual Property Office of the Philippines. For the complete list of trademarks and tradenames of the Company and its subsidiaries, please refer to ***Annex "F"*** hereof.

10. Government Approvals

The Group secures permits, licenses, and approvals from the various government agencies before operating its business activities.

11. Research and Development

None.

12. Effect of Existing Governmental Regulations

Due to COVID 19 restrictions implemented by the National and Local Governments in 2021, most of the stores and offices of the Group experienced shortened store hours and a limited number of customers admission. The Company was likewise prohibited from selling liquor products in the stores and restricted the sale of cleansing materials such as alcohol and tissue. Being classified as essential industries, the retail stores remained open during the lockdowns, but most commercial establishments were closed.

13. Cost and Effect of Compliance with Environmental Laws

The Company estimates its annual cost for maintaining and renewing the Environmental Compliance Certificates and other environmental permits for its existing stores to be about P50 million.

14. Employees

The Company has 12,332 employees as of December 31, 2021.

Department	Cosco Capital	Puregold & S&R	Real Estate	Office Warehouse	Wine Alcohol Distribution	Oil & Minerals	TOTAL
Operations	0	9,990	85	466	0	0	10,541
Head Office	23	1,385	73	108	197	5	1,791
TOTAL	23	11,375	158	574	197	5	12,332
Rank							
Executive	4	31	2	1	4	0	42
Senior Manager	2	128	3	14	6	0	153

Manager	2	620	18	24	22	0	686
Officer	1	692	23	8	2	1	727
Supervisory	3	4,221	30	75	57	0	4,746
Rank & File	11	5,674	80	452	106	2	6,325
Consultant	0	9	2	0	0	2	13
TOTAL	23	11,375	158	574	197	5	12,332

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

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

15. Major Risks

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

(a) Market risk –

Competition - The Company's grocery retailing businesses are highly competitive. The intensity of the competition in the Philippine modern retail industry varies from region to region. Some of the significant competitors considered by the Company are the S.M. malls, supermarkets and hypermarkets, Robinson's Supermarkets, Metro Gaisano, All Home, and Rustan's Supercenters. The competition includes product selection, quality, customer service, and store locations.

Puregold performs market research to locate areas to maximize market coverage and penetrate its targeted customers. This careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

For its specialty mall-999 Shopping Mall, competition is reasonably manageable. The mall is strategically located in Divisoria and is very accessible. The risk of low occupancy is remote. The Company maintains a group specializing in marketing, handling, and communicating with the tenants, primarily those retailers from Mainland China.

As our liquor distribution business caters to the imported and premium segment of the liquor and wine market, we see no significant risk. It has its market niche and does not directly compete with the local brands.

Supply - A supply shortage and disruption and price volatility may adversely affect the operations and financial performance of the Company. The Company addresses this risk by regularly monitoring its inventories and ensuring that the stock is always at its optimum level. The Company continuously deals with many suppliers to ascertain that its merchandising requirements are filled throughout the year.

Credit - The Company's fast-paced operation requires sufficient liquidity throughout the year. Failure of the Company to collect its trade receivables on time could potentially affect its ability to pay its suppliers on time or increase financing costs should working capital financing be resorted to bridge temporary liquidity gaps. The Company maintains a credit and collection policy, ensuring that receivables are collected on time.

Pricing - The country's economic condition and market competition are the main drivers of this risk. Any adverse change in the economic environment of the Philippines may affect the purchasing power of consumers and unfavorably affect the Company's operating results. Low-growth consumer market means a low-demand growth and low turnover for the Company. The entry of new competitors may trigger a more aggressive price competition among industry players as they try to dominate the market. The Company's continuous expansion and revenue growth help mitigate this risk and allow the Company to develop better competitive pricing strategies. Pricing strategies are constantly reviewed to remain competitive and attract or retain customers. Also, unnecessary costs or expenses are to be avoided by checking the supply chain management and eliminating non-value-adding activities, which will allow the Company to offer lower prices.

(b) Regulation and compliance risk –

The Company monitors and oversees issuances or protocols from regulating bodies and ensures the Company's compliance with these regulations.

As liquor is considered a health hazard when taken in excess, the possible risk would be issuing regulations like the ban on alcohol drinking for some age groups and curfew either or both from the national or local government. We consider this risk, however, as remote.

Oil exploration projects are under the supervision of the Philippine government's Department of Energy. Changes in policies or regulations or legislative and fiscal framework governing these activities may have a material impact on the exploration and development activities of the companies in these sectors. Also, changes in regulations may affect the Company's operation and increase the cost of doing business. Upon the lapse of approval from regulatory authorities, there is no guarantee that these will be renewed or renewed under the terms acceptable to the Company. The Company ensures that the licenses and permits are valid by monitoring the validity period, complying with the governmental regulations, constant communication with the authorities, and updating itself with the new laws and regulations.

(c) Environmental risk –

Environment risk for the real estate business includes the effect of climate change like flooding, erosion, and other unforeseen calamities that might affect the real estate properties. The Company mitigates this risk by carefully selecting the sites. A group within the Company conducts research and studies on-site selection, including the environmental factors.

The business of oil exploration and development carries environmental risks and hazards. Under various international conventions and existing Philippine laws and regulations, it is subject to environmental regulation. Environmental legislation provides for, among other things, restrictions and prohibitions on oil spills, releases, or emissions of various substances produced in association with oil operations.

The Company's compliance with such legislation, including health and safety laws, can involve high costs and expenses. Any breach of these laws may result in the imposition of fines and penalties, which could be material. There can be no assurance that environmental regulations will not increase exploration and development costs or the curtailment of operations, which could adversely affect the results of operations and financial condition and prospects.

ITEM 2. PROPERTIES

As of December 31, 2021, the Group owns the following properties:

(a) Puregold's properties:

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

(b) Kareila Management Corporation's properties:

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	0	3	3	0
South Luzon	0	3	3	0
Metro Manila	0	12	12	0
Visayas	0	2	2	0
Mindanao	0	2	2	0
Total Number	0	22	22	0
Total Square Meters	0	247,341.30	382,780.58	0

(c) The Real Estate Group has 35 commercial buildings and 11 lands for lease as of December 31, 2021, situated in the following locations:

Land for Lease:

1. Brgy. Subangdaku, Mandaue City, Metro Cebu
2. Angel Linao Street, Brgy. 687, Zone 75, Malate District, Manila
3. Aguinaldo Highway, Brgy. Panapaan 1, Bacoor City, Cavite
4. Governor's Drive, Brgy. San Gabriel, General Mariano Alvarez, Cavite
5. Alabang-Zapote Road, Brgy. Talon Tres, Las Piñas City
6. Colago Avenue, Brgy. 1A (Poblacion), San Pablo City
7. Shaw Boulevard corner S. Laurel St., Brgy. Pleasant Hills, Mandaluyong City
8. Quirino Highway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches District, Quezon City
9. San Nicolas Market, Miranda St. corner Rizal St., Angeles City, Pampanga
10. Juan Luna St., Tayuman, Tondo, Manila
11. 32nd Street, 5th Avenue Fort Bonifacio, Global City

Commercial Buildings:

1. Quirino Highway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches District, Quezon City
2. San Nicolas Market, Miranda St. corner Rizal St., Angeles City, Pampanga
3. McArthur Highway, Brgy. Dau, Mabalacat, Pampanga
4. Emilio Aguinaldo Highway, Brgy. Anabu II-B, Imus, Cavite
5. Benigno S. Aquino Avenue, Brgy. Bagong Nayon, Baliuag, Bulacan
6. Gen. Luna corner Rizal Streets, Poblacion, San Juan, Batangas
7. Maharlika Highway, Brgy. Bernardo District, Cabanatuan City, Nueva Ecija
8. No. 300 Samson Road, Brgy. 76, Caloocan City
9. Maharlika Highway, Brgy. Masin Sur, Candelaria, Quezon
10. G. Araneta Avenue, Araneta Center, Cubao District, Quezon City
11. Holy Spirit Avenue, Don Antonio Heights, Brgy. Holy Spirit, Quezon City
12. McArthur Highway, Brgy. Sta. Cruz, Guiguinto, Bulacan
13. M. Concepcion Avenue, Brgy. San Joaquin, Pasig City
14. E. Rodriguez, Sr. Avenue corner G. Araneta Avenue, Quezon City
15. Dr. A Santos Avenue, Brgy. San Isidro, Sucat, Parañaque City
16. General Luna St. corner Vesosa St., Brgy. Tuktukan, Taguig City.
17. Avenida R.G. Tanchoco corner Manila East Road, Brgy. San Juan, Taytay, Rizal
18. Juan Luna St. corner Tayuman Road Brgy. 154, Zone 14, Tondo District, Manila
19. No. 419 McArthur Highway, Brgy. Dalandanan, Km. 14, Valenzuela City
20. Circumferencial Road, San Juan Accfa, Cabanatuan City
21. Maharlika Road, Brgy. Abar 2nd, San Jose City, Nueva Ecija
22. NE Mall Suklayin, Baler, Aurora
23. NE Mall - Zulueta St., Cabanatuan City
24. Maunlad Mall, Estrella St., Malolos, Bulacan
25. Agro, Putatan, Muntinlupa City
26. Brookside Lane San Francisco, General Trias, Cavite
27. Ilwas, Subic, Zambales
28. Brgy. 2, Maria Aurora, Aurora
29. Liwasang Kalayaan, Marikina City

30. Bayawan, Negros Oriental
31. San Rafael, Montalban, Rizal
32. Harbor Point, Rizal Highway cor. Magsaysay Ave. Subic Bay Freeport Zone, Zambales
33. Maharlika Highway, Cabanatuan City, Nueva Ecija
34. Soler Corner Roman Streets Brgy. 293, Zone 28, Binondo District, Manila
35. Claro M. Recto Avenue Brgy. 293, Zone 28, Binondo District, Manila

The real estate group has 583,265.71 gross leasable areas as of December 31, 2021.

Alcorn Petroleum and Minerals Corporation

It has participating interests in the following petroleum and mineral exploration properties in the Philippines:

1. SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines. The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. This oil field was not produced due to low oil prices in 1990 and limited data. As of December 31, 2021, the Group has a participating interest of 1.67%.

The impending expiry of SC 6A-Octon Block was finally resolved in a DOE letter on June 18, 2009. The letter informed the Operator, Philodrill,(PLL), of the 15-year contract extension of the SC Octon Block subject to some terms and conditions.

On December 8, 2011, the DOE approved the transfer of the Filipino Consortium's 70% undivided interest to PLL. DOE has also approved the appointment of PLL as the Operator following the Deed of Assignment and Assumption dated July 1, 2011.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing, and interpretation of 500 square kilometers of the 3D data area in Octon. The Group, for its part, will be carried free up to the drilling of the two exploration wells on the block.

In 2013, the 3D seismic acquisition was completed, and the data is now in Vietnam for data processing and interpretation. Oil reserves have already been determined and would be further refined and fine-tuned by the complete seismic acquisition.

In 2019, additional deferred charges amounting to P0.1 million were capitalized.

The Seismic Inversion and Reservoir Characterization project in the north block of SC 6A was completed in mid-December 2020. The stochastic inversion used to characterize the thinly bedded sands of the GCU generated promising results and highlighted potential areas of crucial interest in the vicinity of the Malajon-1 well. Zones exhibiting a high probability of pay were identified within the GCU and are considered plausible locations for well drilling.

2. SC 14 C2 – West Linapacan – In 2019, Philodrill is in the early stages of negotiation with a UK-based firm that intends to acquire interests in the SC14 C2-West Linapacan Block. The area is part of the ongoing seismic reprocessing and Quantitative Interpretation (QI) works over contiguous areas in SC 14 C2 and SC 74, covering the West Linapacan and Linapacan discoveries. The Joint Quantitative Interpretation (QI) study on the Linapacan (SC 74) and West Linapacan (SC 14 C2) was officially commenced on the 4th week of April 2019, with IKON Science as the selected service provider. The project involves joint QI work on a 400 sq km reprocessed PSDM seismic data volume covering the West Linapacan A and B in SC 14 and the Linapacan A and B SC 74. As of end-June 2019, Phase 1a of the study has been completed. The 2 Joint Venture consortia are now discussing proceeding to the next phase of the Joint QI work, which will involve trial inversion work on 30 sq km data volume of contiguous areas.

Meanwhile, Philodrill implemented the final plug and abandonment (P&A) of nine production wells in the Nido, Matinloc, and North Matinloc fields immediately after these fields finally ceased production in early 2019. Using the workboat MV ENA Habitat, Philodrill completed P&A works on seven wells (Matinloc-1,-2,-3, Nido B-1, -2, -3, and North Matinloc-2) from March 30 to May 21, 2019. The completion of the P&A of the remaining wells (Nido A-1 and A-2) was deferred for a separate campaign in April 2020.

In 2020, the SC 14C2 JV entered into a Sale-Purchase Agreement (SPA) and a Farm-out Agreement (FOA) with an Independent Oil & Gas Production, Development, and Exploration Company (IOGPDE) that would take over the operatorship of the SC. Following the execution of the SPA & FOA, the JV agreed that the proposed redevelopment strategy by the eventual operator would be adopted and submitted to the DOE while securing the DOE approval for the Deeds of Assignment (DOAs) arising out of the SPA and FOA.

However, the finalization and execution of DOAs have significantly been delayed by the COVID 19 situation and the Community Quarantines' restrictions since mid-March 2020.

To comply with the commitments under the SC, the proposed 2020 Work Program and Budget (WP&B) covering the period November 2020 to March 2021 was submitted for approval. The proposed work activity will complement the subsequent redevelopment effort for the West Linapacan Field.

3. SC 6B (Bonita) - Offshore Northwest Palawan, Philippines –In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE, which would prove that it has the financial capability to implement the work programs.

In 2020, Manta Oil Corporation (MOC), operator of the SC, completed a comprehensive technical subsurface review using the 2016 PSTM reprocessed 3D seismic data. The recent subsurface mapping work on the Cadlao structure resulted in an improved P50 STOIIP, increasing 15% from the previous volumetric.

4. MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte –The MPSA was assigned last June 1997 and called for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

On March 4, 2003, the DENR granted the Parent Company's application for a 2-year exploration period in its Cement Leyte Project, which ended on March 14, 2005.

On September 9, 2011, the Parent Company received the approval for the second extension of the MPSA Exploration. The approved exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013.

As part of the new requirements, the Parent Company must conduct a new round of Information, Education, and Communication (IEC) before implementing the exploration surveys. The Parent Company has also committed to participate in the National Greening Program initiated by the President.

For the first half of 2012, the Parent Company continued in preparation to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the 2-year extension of the MPSA exploration period.

In 2013, the project was considered delinquent and may soon be cancelled by the regional mining office.

In 2016, the Group paid occupation amounting to P0.5 million for the project.

On May 20, 2020, the exploration permit for the project was for the two-year exploration period was granted, subject to the compliance of conditions set forth.

Currently, the Group is fulfilling its obligations to renew its exploration permit.

Use of Property

Except for the oil and mining participating interest, the Company uses its properties primarily for retail operations as well as commercial real estate development for leasing. There is no mortgage, lien, or encumbrance over any of the properties owned by the Company that may limit or restrict its ownership or usage.

General Lease Provisions

Lease periods are, on average, up to 25 years. Rental rates depend on the location and the condition of the property. All renewal of leases is upon mutual agreement of the parties.

Lease provisions are mutually agreed upon by the parties and based on general standards set by the Company in terms of rental, period, and other stipulations.

ITEM 3. LEGAL PROCEEDINGS

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

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

Except for matters submitted to stockholders' vote during the last stockholders' meeting, no other matters were presented during the fiscal year covered by this report to a majority vote of security holders through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

Period	2019		2020		2021	
	High	Low	High	Low	High	Low
1st Quarter	7.87	6.70	6.80	4.29	5.65	5.10
2nd Quarter	7.70	6.56	5.61	4.78	5.41	4.80
3rd Quarter	7.18	6.53	5.50	4.81	5.38	4.86
4th Quarter	7.08	6.39	5.80	5.05	5.45	4.95

*2022 – 1st Quarter- High – 5.24 Low – 4.85

(B) Stockholders

As of December 31, 2021, there are 989 stockholders on record, 7,405,263,564 issued shares, 7,190,421,264 outstanding capital stock, and 214,842,300 treasury shares.

Top 20 stockholders as of December 31, 2021:

	Stockholders	Number of Shares	Percentage
1	CO, LUCIO L.	2,380,741,492.00	33.11%
2	CO, SUSAN P.	1,780,182,230.00	24.76%
3	CITIBANK N.A	352,008,800.00	4.90%
4	STANDARD CHARTERED BANK	321,455,722.00	4.47%
	ELLIMAC PRIME HOLDINGS, INC.	244,228,990.00	3.40%
5	THE HSBC	231,373,351.00	3.22%
6	CO, FERDINAND VINCENT P.	225,141,822.00	3.13%
7	CO, PAMELA JUSTINE P.	225,120,671.00	3.13%
8	VFC LAND RESOURCES, INC.	220,066,929.00	3.06%
9	KMC REALTY COPORATION	150,832,231.00	2.10%
10	DEUTSCHE BANK MANILA	143,248,441.00	1.99%
12	CO, CAMILLE CLARISSE P.	106,838,231.00	1.49%
13	ANSALDO GODINEZ & CO., INC.	92,392,136.00	1.28%
14	KATRINA MARIE P. CO	58,884,384.00	0.82%
15	SPC RESOURCES, INC.	58,500,000.00	0.81%
16	COL FINANCIAL GROUP, INC.	58,340,676.00	0.81%
17	BDO SECURITIES CORPORATION	45,121,038.00	0.63%
18	HDI SECURITIES, INC.	33,439,694.00	0.47%
19	JOSE PAULINO L. SANTAMARINA	35,105,093.00	0.49%
20	SB EQUITIES, INC.	33,067,335.00	0.46%

(C) Dividends

The Company's cash dividend declarations from 2014 to 2020 are as follows:

Declaration Date	Amount and Type of Dividend (R-regular, S-special)	Record Date	Payment Date
June 27, 2014	S – 0.06 per share	July 11, 2014	July 28, 2014
December 18, 2014	R – 0.06 per share S – 0.02 per share	January 12, 2015	February 5, 2015
December 18, 2015	R – 0.06 per share S – 0.02 per share	January 8, 2016	January 18, 2016
December 22, 2016	R – 0.06 per share S – 0.02 per share	January 12, 2017	January 20, 2017
December 15, 2017	R – 0.06 per share S – 0.04 per share	January 2, 2018	January 26, 2018
February 1, 2019	R – 0.06 per share S – 0.04 per share	February 15, 2019	March 1, 2019
December 18, 2020	R – 0.08 per share S – 0.04 per share	January 8, 2021	January 29, 2021
December 18, 2020	S – 0.04 per share	January 15, 2021	February 9, 2021
December 21, 2021	R – 0.08 per share S – 0.04 per share	January 10, 2022	February 3, 2022

**In Philippine Peso*

Cash dividends are upon the board of directors' declaration, 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 stockholders and the SEC approval.

(D) Recent Sales of Securities

On June 18, 2021, Cosco Capital, Inc. and The Keepers Holdings, Inc. signed a Deed of Exchange of Shares whereby Cosco Capital subscribed to 11,250,000,000 shares of The Keepers Holdings, Inc. at P2.00 per share in exchange for its 100% ownership in three liquor companies, Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits Corporation.

The share swap transaction between Cosco and The Keepers Holdings, Inc. resulted in the strategic spin-off of the three liquor subsidiaries of Cosco Capital and the injection of these companies into a separate publicly listed Company thru Cosco Capital, Inc., acquiring a controlling interest in The Keepers Holdings, Inc.

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

Please refer to ***Annex "A"*** for the Management's Discussion and Analysis of Financial Position and Results of Operation of the Company.

ITEM 7. FINANCIAL STATEMENTS

The board of directors approved the Company's 2021 Consolidated Audited Financial Statement on April 11, 2022, a copy of which is hereto attached as ***Annex "B".***

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

None.

(a) Audit Fees

Cosco Capital Group	2020	2021	2021
	P8,010,500	P8,010,500	P7,860,300

On March 31 and June 30, 2021, The Keepers Holdings, Inc. engaged R.G. Manabat & Company to make Pro Forma Consolidated Financial Statements for the years ending December 31, 2020, 2019, and 2018 in preparation for The Keepers' Follow-On Public Offering in the Philippine Stock Exchange. The Keepers Holdings, Inc. paid R.G. Manabat & Company P4.7 million for these services.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

(A) Directors

The Company's board of directors comprises nine members–eight males and one female. No director of the Company concurrently serves as a director in five or more listed companies. The business experience of the directors is as follows:

MR. LUCIO L. CO*, Filipino, 67 years old,*
Chairman of the Board of Directors since 2012

Mr. Co is also 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 the Chairman of the Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, P.G. 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 one of the Directors of these companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & 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.

Mr. Co holds the following positions in other Philippine listed companies: Director of Philippine Bank of Communications, Chairman of Puregold Price Club, Inc., and The Keepers Holdings, Inc.

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

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

MRS. SUSAN P. CO*, Filipino, 64 years old,*
Vice-Chairman of the Board since 2013

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, P.G. 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 holds the following positions in other Philippine listed companies: Vice-Chairman of Puregold Price Club, Inc. and Director of Philippine Bank of Communications.

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

MR. LEONARDO B. DAYAO*, Filipino, 78 years old,*
President of the Company since 2010

Mr. Dayao was the President of Puregold from 2005 to 2014. He was first elected to the board in 1998. He is also the Chairman and President of Fertuna Holdings Corp.; Chairman of Catuiran Hydropower Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Kareila Management Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc., S&R Pizza, (Harbor Point) Inc., S&R Pizza, Inc.; Vice-Chairman of Ayagold Retailers, Inc.; President of NE Pacific Shopping Centers Corporation, Puregold Duty-Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Union Energy Corporation; Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Duty-Free, Inc., Puregold Properties, Inc. and Union Equities, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Karayan Hydropower Corporation and Puregold Realty Leasing & Management, Inc.

Mr. Dayao holds the following positions in other Philippine listed companies: Executive Director of Puregold Price Club, 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.

MR. LEVI LABRA*, Filipino, 64 years old,*
Executive Director since 2017

Mr. Labra also serves as Director of Hope Philippines, Inc. He holds the following positions in other Philippine listed companies: Board Consultant of Puregold Price Club, Inc. and Director of Philippine Bank of Communications.

Before joining the Company, Mr. Labra worked at Procter & Gamble for 35 years. He was the Sales Head and a management committee member for 20 years. He was Regional Sales Manager for three years, building sales organization and systems for India, Indonesia, Malaysia, Singapore, South Korea, and Thailand.

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

MR. ROBERTO JUANCHITO T. DISPO*, Filipino, 57 years old,*
Regular Director since 2017

Mr. Dispo is currently the President/CEO of League One Finance and Leasing Corporation, Chairman of Mercantile Insurance Corporation, Blacksburg Corporation, Pontificio Collegio Filipino in Rome, and Vice Chairman of New San Jose Builders.

Mr. Dispo was the former Vice Chairman and President of Cirtek Philippines from 2016 to 2019 and CEO of Quintel USA/UK from 2017 to 2019. He became President of First Metro Investment Corporation from 2011 to 2015 and Senior Vice President and Executive Vice President of First Metro Investment Corporation from 1998 to 2010. He was a former Deputy Treasurer of the Philippines, National Treasury, Department of Finance from 1990 to 1997. Mr. Dispo started his career as Financial Analyst in the Department of Trade and Industry from 1988 to 1990 and as an Administrative Officer in the Department of National Defense from 1987 to 1988.

Mr. Dispo graduated with a degree of Bachelor of Science in Economics from the San Sebastián College, Manila, in 1984. He took a Bachelor of Science major in Management from the Pamantasan ng Lungsod ng Maynila in 1990 and a Master's in Business Administration from the same school in 1991. He completed a Diploma Program from the International Banking and Finance Economic Institute, the University of Colorado, in 1994 and a Master's in Business Economics from the University of Asia and the Pacific in 2014.

He has been a member of the Money Market Association of the Philippines since 1998 and FINEX since 2012.

Mr. Dispo was the CEO of the Year awardee in 2014 given by Asia CEO Awards and became a Finalist in CNBC Asia Best CEO in 2014.

MR. JAIME J. BAUTISTA**,** *Filipino, 65 years old,*
Regular Director since 2020

Mr. Bautista is currently a member of the Board of Trustees of the University of the East, UE Ramon Magsaysay Memorial Medical Center, International School of Sustainable Tourism, Philippine Eagle Foundation Inc., and member of the Board of Directors of Airspeed International Corp., Alphaland Corp., Gothong Southern Shipping Lines, Inc., Sabre Travel Network Phils. Inc.

He used to be the President of Philippine Airlines, Inc. (PAL) from 2014 to 2019 and 2004 to 2012. He was the Executive Vice-President of PAL from 1999 to 2004 and Senior Vice President – Chief Finance Officer from 1994 to 1998.

Mr. Bautista is a graduate of Colegio de San Juan de Letran, Intramuros, Manila, with a Bachelor of Science in Commerce, Major in Accounting, 1977.

He completed a post-graduate course of Doctor of Philosophy in Humanities (Honoris Causa) from the Central Luzon State University, Muñoz, Nueva Ecija, in 2018, and a Canada International Entrepreneurial Program from Capilano College, North Vancouver, British Columbia, in 1990.

***MR. ROBERT Y. COKENG**, Filipino, 70 years old,*
Lead Independent Director since 2017

Mr. Cokeng is the Chairman of the Audit Committee of the Company.

Mr. Cokeng is currently the Chairman and President of F&J Prince Holdings Corporation (PSE-Listed), Magellan Capital Holdings Corporation, Center Industrial and Investment, Inc., and Consolidated Tobacco Industries of the Philippines. He is also the Chairman of Pointwest Technologies Corp., Ipads Developers Corp., and Chairman of the Executive Committee of BPO International.

Mr. Cokeng started as Senior Investment Officer and Philippine Country Officer in International Finance Corp. (world bank group), Washington, D.C., from 1976 to 1986 and Planning Associate in Mobil Oil Philippines from 1971 to 1972.

Mr. Cokeng is a member of Wack-Wack Golf & Country Club, Tagaytay Midlands Golf & Country Club, Balesin Island Club, Management Association of the Philippines, and an Advisory Board Member of Harvard Business School Club of the Philippines.

Mr. Cokeng graduated with honors from the Ateneo University with a degree of Bachelor of Arts in Economics Honors Program in 1971, *magna cum laude*. He took a Master's in Business Administration program from Harvard University in 1976 and completed it with high distinction.

***MR. OSCAR S. REYES**, Filipino, 76 years old,*
Independent Director since 2013

Mr. Reyes is currently the Chairman of Link Edge, Inc. from 2002 up to the present. He was the former President & CEO of Manila Electric Company from 2012 to 2019, Senior Executive Vice–President & Chief Operating Officer of Manila Electric Company from 2010 to 2012. He was the Country Chairman of Shell Companies in the Philippines from 1997 to 2001 and held various executive positions in Pilipinas Shell Petroleum Corporation from 1971 to 2001.

Mr. Reyes completed the Commercial Management Study Program, Shell International, the United Kingdom, in 1986, Program for Management Development at Harvard Business School in 1976. He completed an MBA at the Ateneo Graduate School of Business in 1971.

He is a member of the Management Association of the Philippines, FINEX, Asia Society of the Philippines, and the Employers Confederation of the Philippines.

Mr. Reyes is a graduate of the Ateneo de Manila University with a Bachelor of Arts major in Economics in 1965 with a distinction of *cum laude*.

***MR. BIENVENIDO E. LAGUESMA**, Filipino, 71 years old,*
Independent Director since 2017

Mr. Laguesma is a Senior Partner at Laguesma Magsalin Consulta Law Offices, Independent Director of Philippine Bank of Communications (PSE-Listed), and Director of Rural Bank of Angeles, Cavite United Rural Bank, Asia United Leasing & Finance Corp., and Asia United Fleet Management Services, Inc.

He served as Secretary of the Department of Labor and Employment from 1998 to 2001 and Commissioner of the Social Security System from 2011 to 2016. He also became Presidential Assistant of the Office of the President of the Republic of the Philippines from 1996 to 1998, Undersecretary of the Department of Labor and Employment from 1990 to 1996, Administrator in the National Conciliation and Mediation Board from 1987 to 1990, Regional Director of the Department of Labor and Employment from 1982 to 1986, Assistant Regional Director from 1981-1982, and Executive Labor Arbiter, National Labor Relations Commission from 1979 to 1981. Mr. Laguesma started his public service as Labor Arbiter of the National Labor Relations Commission in 1979 and Provincial Director of Bataan Provincial Labor Office from 1978 to 1979, and Mediator-Arbiter of the Bureau of Labor Relations from 1976 to 1978.

Atty. Laguesma completed his Career Executive Development Course at the Development Academy of the Philippines from 1984 to 1985 and Public Administration Course from the Royal Institute of Public Administration in London, the United Kingdom, in 1985. Lyceum of the Philippines awarded Atty. Laguesma, with an Outstanding Alumnus award in 1971, Doctor of Humanities, Honoris Causa, by the Adamson University in 1999, and Doctor of Humanities, Honoris Causa, by the Central Colleges of the Philippines in 2016.

He has been a member of the Integrated Bar of the Philippines since 1976, the Philippine Bar Association since 2004, and the Rotary Club of Manila since 2002.

Atty. Laguesma graduated from the Lyceum of the Philippines with a degree of Bachelor of Arts major in Political Science in 1971 and Ateneo de Manila University College of Laws with a degree of Bachelor of Laws in 1975.

(B) Executive Officers

After the annual stockholders' meeting, the board convenes for an organizational meeting and appoints 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 2021, the organizational meeting took place on June 25, 2021. The board renewed the appointment of the following officers:

MR. TEODORO A. POLINGA, *Filipino, 63 years old,*
Group Comptroller since 2015

Mr. Polinga started with the group as Senior Manager – Office of the President of Puregold Price Club seconded to provide leadership to the Accounting Department from February 2013 to October 2013.

In July 2014, he was appointed as Group Comptroller of Cosco Capital, Inc. covering the parent Company and all its subsidiaries, and he continues to hold this portfolio up to the present. In April 2015, he was directly appointed, on a concurrent capacity, as

Comptroller of Puregold Price Club where he provided top leadership to the Company's Finance Division until October 2018.

He was the founding President and Director of MTM Ship Management (Philippines), Inc. from October 2013 to June 2014, Executive Director and Chief Finance Officer of Alchem Energy Limited from 2010 to 2012, and Director and Chief Finance Officer of Phoenix Petroleum Philippines, Inc. from February 2007 to February 2008

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

Mr. Polinga graduated with honors, *Magna Cum Laude*, from the Holy Name University (Formerly Divine Word College of Tagbilaran City) with a degree of Bachelor of Science major in Accounting in 1978 and passed the CPA Board Examination in October 1979. He completed a Management Development Program from the Asian Institute of Management in 1990.

MR. JOSE S. SANTOS, JR., *Filipino, 81 years old,*
Corporate Secretary since 2013

Atty. Santos is a practicing lawyer. He is a graduate of Lyceum of the Philippines with a degree of Bachelor of Laws in 1961. He became a member of the Philippine bar in 1961.

MRS. CANDY H. DACANAY–DATUON, *Filipino, 43 years old,*
Assistant Corporate Secretary and Compliance Officer since 2013

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

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

Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Puregold Price Club, Inc. (a listed Company) and Corporate Secretary of The Keepers Holdings, Inc. (a listed Company), Kareila Management Corporation (S&R warehouse), and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation.

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

MRS. EMERLINDA D. LLAMADO, *Filipino, 60 years old,*
Internal Auditor since 2012

Ms. Llamado joined the Company in 2012. Before joining the Company, she worked as System Assistant and Audit Manager from 1984 to 2012 with the Ever Gotesco group of companies. She graduated from the Far Eastern University with a Bachelor of Science in Accountancy degree in 1984. Ms. Llamado is a Certified Public Accountant.
(C) Key Officers in Subsidiaries

MR. FERDINAND VINCENT P. CO*, Filipino, 40 years old,*
President of Puregold Price Club, Inc. since 2015

He concurrently holds the following positions: (1) 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.; (2) President of Ayagold Retailers, Inc., Entenso Equities, Inc., and Union Equities, Inc.; (3) 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.

MR. JOSE PAULINO L. SANTAMARINA*, Filipino, 58 years old,*
President of The Keepers Holdings, Inc. since 2021

JP is currently the President of The Keepers Holdings, Inc.

Before Premier, JP was the Chief Financial Officer (1988 - 96) of CMG Marketing, Inc., a subsidiary of United Distillers Ltd., the precursor of what is now known as Diageo. CMG was a pioneer in the imported wine and spirits industry, established during the early stages of market liberalization in 1986.

Before CMG, he was an auditor of the professional firm SGV from 1984 to 1988, right after college.

He holds directorship and officer positions in the following companies: Booze On-line, Inc., Cleangreen Energy Corporation; Karayan Hydropower Corporation, Liquorph Distributors Corp., Pamana Consortium, Inc., Pamana Water Corporation, Premier Wine and Spirits, Inc. (Chairman and President), San Jose City I Power Corp., Southern Utility Management and Services Incorporation, Technowater Corporation, and VS Gripal Power Corporation.

JP graduated from Ateneo de Davao University with a degree in Bachelor of Science in Accountancy. He is a Certified Public Accountant.

MR. ANTHONY SY, *Filipino, 61 years old,*
S&R President since 2006

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

MR. JOSEPH U. SY*, Filipino, 58 years old,*
Operations Manager of Ayagold since 2017

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

MRS. IRAIDA B. DE GUZMAN*, Filipino, 62 years old,*
President of Office Warehouse since 2014

Before joining Office Warehouse in 2014, Ms. De Guzman worked as Senior Vice-President of Puregold from 1999 to 2014. She is a graduate of Polytechnic University of the Philippines with a Bachelor of Science in Commerce major in Economics.

MRS. GIRLIE M. SY*, Filipino, 59 years old,*
President of Nation Realty, Inc. since 2015

Ms. Sy started her career in Puregold Finance, Inc. as Finance and Administration Manager in 1995 up to the present and as Finance and Admin Manager for Bellagio Holdings, Inc. in 2005 up to the present.

Ms. Sy is a graduate of Far Eastern University with a degree of Bachelor of Science in Psychology in 1983.

MR. URBANO LUCERO*, Filipino, 53 years old*
Operating Manager of NE Shopping Centers Corporation since 2003

Mr. Lucero started with NE Pacific Shopping as Bakeshop and Restaurant Manager in 1990 and NE Central Theater Manager in 1993 until he became NE's Operating Manager in 2003. He is a graduate of Araullo University, Cabanatuan City, with a Bachelor of Science in Criminology.

MS. JOAN C. JUSTO*, Filipino, 46 years old,*
Senior Leasing Manager of NE Pacific Shopping Centers Corporation

Ms. Justo has been with NE Pacific since 1997 under its previous and founding owners. She is a graduate of Lyceum of the Philippines with a Bachelor of Science in Foreign Service in 1995.

MS. CAMILLE CLARISSE P. CO, *Filipino, 33 years old,*
Chairman and President of Meritus Prime Distributions, Inc. since 2017

Ms. Camille Co is a Director of Alerce Holdings, Corp., Blue Ocean Holdings, Corp., CHMI Hotels and Residences, Inc., Fertuna Holdings, Corp., Invesco Company, Inc., KMC Realty Corporation, League One, Inc., Montosco, Inc., Nation Realty Inc., P.G. Holdings, Inc., Patagonia Holdings, Corp., Pure Petroleum Corp., Premier Wine and Spirits, Inc. Puregold Properties, Inc., S&R Pizza, Inc., SPC Resources, Inc., Union Equities, Inc., VFC Land Resources, Inc.

Ms. Co is a graduate of Dela Salle University with a degree of Bachelor of Arts in Psychology in 2009.

MS. JANELLE O. UY*, Filipino, 33 years old,*
Chairman and President of Montosco, Inc. since 2017

Before joining the Company, Ms. Uy worked as a Key Account Manager in Unilever Philippines from 2009 to 2013. She graduated from the Dela Salle University with a degree in Applied Corporate Management in 2009.

MR. ROBIN DERRICK C. CHUA*, Filipino, 32 years old,*
Managing Director of Premier Wine and Spirits, Inc. since 2018

Before joining the Company, Mr. Chua worked in various consumer marketing and sales roles in Unilever Philippines and overseas from 2012 to 2018. He is a graduate of Ateneo de Manila University with a Bachelor’s degree in Management and a Minor in Entrepreneurship in 2012.

(D) Significant Employees

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

(E) Family Relationships

1. Mr. Lucio L. Co and Mrs. Susan P. Co are husband and wife.
2. Mr. Ferdinand Vincent P. Co and Ms. Camille Clarisse P. Co are two of the four children of Mr. and Mrs. Lucio and Susan Co.

(F) Involvement in Certain Legal Proceedings

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

(1) Bankruptcy case.

(2) Convicted by final judgment of any criminal proceeding, domestic or foreign.

(3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.

(4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 10. EXECUTIVE COMPENSATION

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

The total annual compensation of the President and the four most highly compensated officers amounted to P7,005,415.34 in 2020, P7,200,000.00 in 2021, and the projected compensation for the year 2022 is P7,200,000.00, please see the table below:

Name and Position	Year	Salary	Bonus	Other Annual Compensation
Lucio L. Co, Chairman				
Susan P. Co, Vice-Chairman				
Leonardo B. Dayao, President				
Teodoro A. Polinga, Comptroller				
Andres S. Santos, Legal Counsel				
Aggregate compensation of the President and the four most highly compensated officers	2020	P7,005,415.34	-	-
	2021	P7,200,000.00	-	-
	2022 Projected	P7,200,000.00	-	-
Aggregate compensation paid to all other officers and managers	2020	P3,139,196.00	-	-
	2021	P2,381,005.00	-	-
	2022 Projected	P3,542,000.00	-	-

(B) Standard Arrangements

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

(C) Other Arrangements

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

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

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

(E) Warrants and Options

None.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

Title of Class	Name, address ofrecord owner	Relationship with the Company	Name of Beneficial Owner and Relationshi pwith Record Owner	Citizenship	Number of shares held	Percent
Common	Lucio L. Co, No.2 Pili Avenue, South Forbes Park, Makati City	Chairman	Direct	Filipino	2,380,741,492	33.11%
Common	Susan P. Co, No.2, Pili Avenue, South Forbes Park, Makati City	Vice-Chairman	Direct	Filipino	1,780,182,230	24.76%

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

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Lucio L. Co	Direct	Filipino	2,380,741,492	33.11%
Common	Susan P. Co	Direct	Filipino	1,780,182,230	24.76%
Common	Leonardo B. Dayao	Direct	Filipino	750,982	0.01%
Common	Levi B. Labra	Direct	Filipino	100	0.00%
Common	Roberto Juanchito T. Dispo	Direct	Filipino	100	0.00%
Common	Jaime J. Bautista	Direct	Filipino	1,000	0.00%

Common	Robert Y. Cokeng	Direct	Filipino	8,155,000	0.11%
Common	Oscar S. Reyes	Direct	Filipino	54,265	0.00%
Common	Bienvenido E. Laguesma	Direct	Filipino	100	0.00%

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

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

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For discussion of related party transactions, please refer to ***Annex "D"*** hereof.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

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

(b) The Company has three independent directors to ensure that the management has independent views and is abreast of the practices of other companies in maintaining good corporate governance.

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

(d) Before the pandemic, the Company conducted an 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 considering all the stakeholders. The board regularly approves Company objectives and plans and monitors their implementation. It is headed by a competent and qualified chairman with more than 40 years of experience in retail operations. The board meets at least six times a year and schedules the meetings before the start of the financial year.

In 2021, the board held meetings on February 19, April 6, May 4, June 25, November 9, and December 31.

Please see below the record of attendance of directors in the 2021 board meetings:

	Feb 19	Apr 6	May 4	Jun 25	Aug 3	Nov 9	Dec 21	Total
Lucio L. Co	√	√	√	√	√	√	√	100%
Susan P. Co	√	√	√	√	√	√	√	100%
Leonardo B. Dayao	√	√	√	√	√	√	√	100%
Levi B. Labra	√	√	√	√	√	√	√	100%
Roberto Juanchito T. Dispo	√	√	√	√	√	√	√	100%

Robert Y. Cokeng	√	√	√	√	√	√	√	100%
Oscar S. Reyes	√	√	√	√	√	√	√	100%
Bienvenido E. Laguesma	√	√	√	√	√	√	√	100%
Jaime J. Bautista	√	√	√	√	√	√	√	100%

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

On April 6, 2021, the Company's board of directors endorsed for stockholders' approval the extension of the term of Mr. Robert Cokeng and Mr. Oscar Reyes to serve as independent directors for another two years. Mr. Cokeng and Mr. Reyes' 9-year term as independent directors would have ended in 2021. The justification for the extension is as follows:

> "Similar to Puregold's stance on the matter, COVID 19 pandemic brought a lot of uncertainties to the various operating businesses of Cosco Capital and the country's economy as a whole. We were forced to deal with challenges that we have never seen before, which prompted all of us to adopt and respond as fast as possible. This is one of those crucial times when we are most in need of a group of directors who can quickly and competently respond to these challenges. And such fast and proficient response would only come from directors who are very experienced in managing a conglomerate like Cosco Capital, accustomed to the Company's core values and culture, and who hold the organization's trust to be competent in helping us navigate through these extraordinary times."

Directors do not participate in the discussion of fixing remuneration.

(e) Committee Membership

The Company has three (3) board committees, the Executive Committee, Corporate Governance Committee, and the Audit Committee. The board appointed its members during the organizational meeting held on June 25, 2021, as follows:

Executive Committee	Corporate Governance Committee	Audit Committee
Lucio L. Co Chairman	Oscar Reyes (I.D.) Chairman	Robert Y. Cokeng (I.D.) Chairman/Lead ID
Susan P. Co	Bienvenido E. Laguesma (I.D.)	Bienvenido E. Laguesma (I.D.)
Leonardo B. Dayao	Roberto Juanchito T. Dispo (Regular)	Susan P. Co (Executive)
Roberto Juanchito T. Dispo	Leonardo B. Dayao (Executive)	Leonardo B. Dayao (Executive)
Levi Labra		

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

In 2021, the Audit Committee convened four meetings held on April 5, May 3, July 30, and November 5. All members attended the committee meetings in 2021.

PART V - EXHIBITS AND SCHEDULES

A. Annexes

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

B. Reports on SEC Form 17-C

Please refer to "Annex G" for the list of SEC Form 17-C issued by the company.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report (SEC 17-A) is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila, Philippines, on May 10, 2022.

LUCIO L. CO
Chairman

LEONARDO B. DAYAO
President

TEODORO A. POLINGA
Comptroller

SUSAN P. CO
Treasurer

JOSE S. SANTOS, JR.
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 13 MAY 2022 in the City of Manila, Philippines, affiants exhibited to me competent proof of their respective identities.

LUCIO L. CO	TIN ID No. 108-975-971
SUSAN P. CO	TIN ID No. 100-053-331
LEONARDO B. DAYAO	TIN ID No. 135-546-815
TEODORO A. POLINGA	TIN ID No. 104-883-077
JOSE S. SANTOS, JR.	TIN ID No. 136-370-487
CANDY H . DACANAY – DATUON	TIN ID No. 233-200-394

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Series of 2022

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

ANNEX A

Management's Discussion and Analysis of Operations

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

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of the Group’s operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders’ equity) - measures the profitability of stockholders’ investment

- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales

- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to pay interest of its outstanding debts

- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group

- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues

- Asset to equity ratio (Assets/ Shareholders’ equity) - indicates the Group’s leverage used to finance the firm

- Debt to equity ratio (Liabilities/ Shareholders’ Equity) -measure of a Group's financial leverage

The table below shows the key performance indicators for the past three years:

Performance Indicators	**2021**	**2020**	**2019**
Return on investment	**9.02%**	**9.45%**	16.60%
Profit margin	**6.03%**	**5.64%**	9.27%
EBITDA to interest expense	**7.96x**	**8.98x**	8.65x
Current ratio	**4.63:1**	**3.60:1**	3.45:1
Asset turnover	**0.95:1**	**1.07:1**	1.13:1
Asset to equity	**1.52:1**	**1.62:1**	1.54:1
Debt to equity ratio	**0.52:1**	**0.62:1**	0.54:1

These financial ratios were calculated based on the consolidated financial statements of Cosco Capital, Inc. and its subsidiaries as described more appropriately in Note 1 to the audited financial statements attached in Annex A hereof.

Comparative Years 2021 and 2020

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2021 and 2020.

(In Thousands)	FY2021	%	FY2020	%	*INCREASE (DECREASE)*	%
REVENUES	**174,453,773**	*100.00%*	177,316,299	*100.00%*	***(2,862,526)***	*-1.61%*
COST OF SALES/SERVICES	**140,822,162**	*80.72%*	145,021,136	*81.79%*	***(4,198,974)***	*-2.90%*
GROSS PROFIT	**33,631,611**	*19.28%*	32,295,163	*18.21%*	***1,336,448***	*4.14%*
OTHER OPERATING INCOME	**3,216,628**	*1.84%*	3,157,850	*1.78%*	***58,778***	*1.86%*
GROSS OPERATING INCOME	**36,848,239**	*21.12%*	35,453,013	*19.99%*	***1,395,226***	*3.94%*
OPERATING EXPENSES	**21,461,845**	*12.30%*	20,147,712	*11.36%*	***1,314,133***	*6.52%*
INCOME FROM OPERATIONS	**15,386,394**	*8.82%*	15,305,301	*8.63%*	***81,093***	*0.53%*
OTHER INCOME (CHARGES) - net	**(1,883,189)**	*-1.08%*	(1,471,766)	*-0.83%*	***(411,423)***	*27.95%*
INCOME BEFORE INCOME TAX	**13,503,205**	*7.74%*	13,833,535	*7.80%*	***(330,330)***	*-2.39%*
INCOME TAX EXPENSE	**2,991,716**	*1.71%*	3,824,607	*2.16%*	***(832,892)***	*-21.78%*
NET INCOME FOR THE YEAR	**10,511,490**	*6.03%*	10,008,927	*5.64%*	***502,562***	*5.02%*
PATMI	**6,151,761**	*3.53%*	5,900,196	*3.33%*	***251,565***	*4.26%*
Non-controlling interests	**4,359,728**	*2.50%*	4,108,731	*2.32%*	***250,997***	*6.11%*
	10,511,490	*6.03%*	10,008,927	*5.64%*	***502,562***	*5.02%*
EARNINGS PER SHARE (EPS)	**0.88516**		0.84792			*4.39%*
EBITDA	**20,010,975**	*11.47%*	19,703,561	*11.11%*	***307,413***	*1.56%*

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P174.45 Billion for the year ended December 31, 2021 which reflects a decrease by P2.86 Billion or representing a decline by 1.61% compared to last year's revenue of P177.31 Billion.

The revenues of the Group's business segments during 2021 have continued to be affected in varying degrees by the business and social disruptions resulting from the continuing general community quarantine and mobility restrictions imposed by the Philippine Government on a nationwide scale due to the Covid-19 pandemic. For comparative analysis purposes, revenues generated during 2020 were likewise affected by the impact of the government imposed lockdown starting on March 16, 2020.

Due to the resurgence of the increasing rate of positivity infections in the National Capital Region and neighboring provinces (NCR+) coupled by the discovery of new variants of the Covid 19 virus, the government imposed a stricter level of restrictions (NCR+ Bubble) initially for a period of 15 days starting on March 22, 2021 which subsequently evolved into the re-imposition of the ECQ starting on April 5, 2021 until April 11, 2021 which involved closure of the commercial malls as well as other non-essential business establishments. From August 6 to 20, the government imposed another community lockdown in the NCR and other neighboring provinces in order to contain the increasing rate of positivity infections driven by the Delta variant. The extent of the business impacts on each segment are more fully described in the specific segment operating and financial highlights section.

The successful implementation and roll-out of the nationwide vaccination program jointly undertaken by the government and private sector which started during the first quarter 2021 provides a source of national relief and optimism that will determine the shape of the macro-economic and socio-political policies and environment as well as the continued impact on the Group's business for the balance of the year.

Growth in Net Income

During the same period and despite the lower revenues experienced, the Group, however, managed to realize a consolidated net income of P10.51 Billion which represents a growth of 5.02% as compared to last year's net income of P10.0 Billion.

This was mainly driven by a combination of management's strategic initiatives and efficiency measures at all business segments that involved enhancements in the cost of goods sold and services coupled by continued strategic costs and expense reduction and management. The implementation of the reduced corporate income tax rate under the CREATE Law also contributed to the growth in the group's consolidated net income.

Net income attributable to equity holders of the parent company (PATMI) in 2021 amounted to about P6.15 Billion which increased by P251.56 million or 4.26%% as compared to the 2020 PATMI amounting to P5.90 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During 2021, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P164.12 Billion or a decrease of P4.51 Billion or about 2.67% decline as compared to the segment's revenue contribution of P168.63 Billion for the same period of last year. Revenues generated in 2020 experienced a robust growth and uptick particularly in the first quarter due to consumer panic buying in preparation for the looming community lockdown restrictions due to the emerging Covid-19 pandemic which was eventually imposed by the Philippine Government on March 16, 2020.

The supermarket business continued to experience and deal with the challenges of a decline in traffic count and a negative SSSG during 2021 due mainly to the continuing effects of the general mobility restrictions and reduced consumer spending particularly the most vulnerable sector of the consuming public being served. While basket size growth was registered, it was not sufficient to cushion the impact of the decline in traffic count.

To cushion these impacts, management continued to implement strategic initiatives to enhance cost of goods sold through suppliers' support, reinforced its sari-sari store customers base, localized marketing and promotional activities as well as expand its online and e-commerce platforms.

The warehouse club business, on the other hand, continued to consistently deliver a robust growth in sales performance as well as growth in its net income driven by a strong growth in both traffic count as well as basket size clearly showing the resilience of the A and B segment of the consumer segment that it serves.

As a result and despite the decline in revenues from the supermarket business, the Grocery Retail segment realized a 1.4% growth consolidated net income contribution in 2021 amounting to P8.18 Billion which increased by P113.19 Million as compared to the net income contribution of P8.07 Billion in the same period in 2020.

Real Estate Segment

The commercial real estate business segment, which contributed P812.12 Million to the Group's consolidated revenue in 2021, continued to experience a decline in its rental income of 22.86% from the segment's revenue contribution during the same period last year amounting to P1.06 Billion.

This was mainly attributable to the continuing impact of the government imposed community and mobility restrictions wherein management continued to extend rental reliefs and related supports to its affected tenants portfolio during 2021 in the form of either waiver or reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected.

Consolidated net income contribution in 2021 amounted to about P885.28 Million which increased by about P112.40 Million or 16.04% as compared to net income in 2020 amounting to P768.88 Million due to strategic cost savings measured implemented and the effect of reduced income tax rates resulting from passage of CREATE Law.

Liquor Distribution Segment

The liquor distribution business segment contributed about P7.95 Billion to the Group's consolidated revenue in 2021 representing an increase by P2.0 Billion or 33.69% higher as compared to the 2020 revenue contribution of P5.95 Billion.

The growth is mainly attributable to the continued easing of the economy and lifting of liquor bans imposed by different LGUs at the NCR and neighboring provinces and selected affected key urban cities with the recent re-imposition of more stringent restrictions due to the resurgence of the Covid-19 infections during the year. It has to be noted that revenues generated in 2020 were affected by the impact of the government imposed lockdown starting on March 16, 2020 that lasted until August 18, 2020. The on-premise segment which includes hotels, bars and restaurants as well as travel retail segment continued to be the most affected market sectors of the industry since the start of the pandemic up to the present.

Consolidated net income contribution in 2021 amounted to about P1.58 Billion which increased by P402.75 Million or 34.09% as compared to the net income contribution in 2020 amounting to P1.18 Billion.

Specialty Retail

Office Warehouse, Inc. contributed about P1.55 Billion to the Group's consolidated revenue during 2021 representing a decrease by about P115.97 Million or 6.95% lower as compared to the 2020 revenue contribution of P1.67 Billion.

The segment's sales performance during the period continued to be affected by the government imposed community and mobility restrictions and the temporary closure of the company's predominantly CBD-centric store outlets having been classified as non-essential business during the recently re-imposed NCR+ Bubble and ECQ due to the resurgence of the infection rates. Further, revenues generated during 2020 were affected by the impact of the government imposed lockdown starting on March 16, 2020 that lasted until August 18, 2020.

Net income contribution in 2021 amounted to about P49.71 Million which decreased by P6.11 Million or 10.95% as compared to the net income contribution in 2020 amounting to P55.82 Million due to decline in revenue.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

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

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

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

Gross Profit

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

Other Operating Income

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

Operating Expenses

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

Other Expense - net

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

Net Income

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

Commercial Real Estate

The Group's Real Estate Segment posted a revenue of P822.12 Million in 2021 or a decline by 22.86% from the P1.06 Billion revenue generated in 2020.

This was mainly attributable to the continuing impact of the government imposed community and mobility restrictions and management's continued policy response to extend rental reliefs and related support to its affected tenants portfolio during the period in the form of either waiver or reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected. The reduced rental rates and related reliefs are being reviewed by management on a quarterly basis.

Income from operations before depreciation amounted to P1.16 Billion for the year 2021 which is almost of the same level in 2020.

Net income for the period amounted to P885.28 Million or a 16.04% increase from last year's P762.88 Million strategic cost savings measured implemented and the effect of reduced income tax rates resulting from passage of CREATE Law.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment in 2021 increased to P7.95 Billion in 2021 or 33.69% higher from last year's P5.02 Billion on the back of a 32% growth in volume (no. of cases) of sales

The strong growth in sales performance is mainly attributable to the continued strong sales performance of its leading brandy category amidst the gradual easing of the economy and lifting of liquor bans imposed by different LGUs at the NCR and neighboring provinces and selected affected key urban cities following the recent re-imposition of more stringent restrictions due to the resurgence of the Covid-19 infections during first quarter 2021 and the subsequent ECQ lockdowns in August 2021 due to the increasing infection rate driven by the Delta variant. Further, revenues generated in 2020 were similarly affected by the impact of the government imposed lockdown starting on March 16, 2020 that lasted until August 18, 2020.

The robust sales performance during the period was still principally driven by its brandy portfolio which continued to account for more than 60% of sales mix augmented by the strong performance of the other spirits as well as wines and specialty beverages categories.

Income from operations, increased to P1.99 Billion in 2021 or 22.46% growth from last year's P1.63 Billion principally driven by improved gross margins and sustained strategic costs and expense management including its marketing and distribution costs.

As a result, net income for the year 2021 grew by 34.28% from P1.18 Billion in 2020 to P1.58 Billion in 2021. The effect of reduced income tax rates resulting from the passage of CREATE Law also contributed to the growth in net income.

Specialty Retail

Office Warehouse

Sales revenues amounted to P1.55 Billion in 2021 or 6.95% lower as compared to the 2020 revenue of P1.67 Billion.

The operations of the company's store outlets during the period continued to be affected by the government imposed community and mobility restrictions and the temporary closure of the company's store outlets having been classified as non-essential business during the recently re-imposed NCR+ Bubble and ECQ due to the resurgence of the infection rates. Further, revenues generated in 2020 were also affected by the impact of the government imposed lockdown starting on March 16, 2020 up to August 18, 2020.

Net income in 2021 amounted to about P49.71 Million which in decreased by P6.11 Million or 10.95% as compared to the net income contribution in 2020 amounting to P55.82 Million due to decline in revenue.

Consolidated Statements of Financial Position

Shown below are the comparative consolidated financial position of the Group:

(In Thousands)	FY2021	%	FY2020	%	INCREASE (DECREASE)	%
Cash and cash equivalents	**63,860,207**	**34.04%**	48,867,746	27.42%	**14,992,462**	**30.68%**
Receivables - net	**4,735,784**	**2.52%**	10,308,181	5.78%	**(5,572,397)**	**-54.06%**
Financial asset at FVOCI	**6,784**	**0.00%**	8,365	0.00%	**(1,581)**	**-18.91%**
Financial asset at FVPL	**30,726**	**0.02%**	2,411,375	1.35%	**(2,380,649)**	**-98.73%**
Inventories	**25,390,956**	**13.54%**	24,914,272	13.98%	**476,683**	**1.91%**
Due from related parties	**60,341**	**0.03%**	184,852	0.10%	**(124,511)**	**-67.36%**
Prepayments and other current assets	**1,648,099**	**0.88%**	1,450,993	0.81%	**197,106**	**13.58%**
TOTAL CURRENT ASSETS	**95,732,896**	**51.03%**	88,145,784	49.47%	**7,587,112**	**8.61%**
Noncurrent Assets						
Property and equipment - net	**29,818,280**	***16.96%***	28,683,979	*16.10%*	**1,134,301**	**3.95%**
Right-of-use assets	**24,406,913**	***13.01%***	24,270,253	*13.62%*	**136,660**	**0.56%**
Investment properties - net	**11,487,812**	***5.06%***	11,145,393	*6.25%*	**342,419**	**3.07%**
Intangibles and goodwill - net	**21,057,378**	***11.23%***	21,074,976	*11.83%*	**(17,598)**	**-0.08%**
Investments	**715,393**	***0.38%***	729,909	*0.41%*	**(14,516)**	**-1.99%**
Deferred oil and mineral exploration costs	**6,154**	***0.00%***	-	*0.00%*	**6,154**	**100.00%**
Deferred tax assets-net	**882,764**	***0.47%***	902,719	*0.51%*	**(19,955)**	**2.21%**
Other non-current assets	**3,484,160**	***1.86%***	3,236,813	*1.82%*	**247,347**	**7.64%**
TOTAL NONCURRENT ASSETS	**92,051,732**	***48.97%***	90,044,042	*50.53%*	**2,007,691**	**2.02%**
TOTAL ASSETS	**187,784,628**	***100.00%***	178,189,826	*100.00%*	**9,594,802**	**5.28%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**16,872,386**	***8.99%***	16,667,022	*9.35%*	**205,364**	**1.23%**
Income tax payable	**1,054,585**	***0.56%***	1,534,051	*0.86%*	**(479,466)**	**-31.25%**
Short-term loans payable	**48,000**	***0.03%***	42,000	*0.02%*	**6,000**	**14.29%**
Current portion of long-term borrowing	**120,000**	***0.06%***	3,866,957	*2.18%*	**(3,766,957)**	**-**
Lease liability	**1,223,723**	***0.65%***	1,035,180	*0.58%*	**188,543**	**18.21%**
Due to related parties	**692,219**	***0.37%***	762,031	*0.43%*	**(69,812)**	**-9.16%**
Other current liabilities	**776,867**	***0.41%***	662,449	*0.37%*	**114,418**	**17.27%**
TOTAL CURRENT LIABILITIES	**20,787,781**	***11.08%***	24,589,690	*13.80%*	**(3,801,909)**	**-15.46%**
Noncurrent Liabilities						
Retirement benefit liability	**1,346,544**	***0.72%***	1,431,760	*0.80%*	**(85,216)**	**-5.95%**
Lease liability-net of current portion	**30,271,128**	***16.14%***	29,149,190	*16.36%*	**1,121,938**	**3.85%**
Deferred tax liabilities	**-**	***-***	144,588	*0.08%*	**(144,588)**	**-100.0%**
Long term loans payable - net of debt issue cost	**11,650,458**	***6.21%***	12,682,743	*7.12%*	**(1,032,285)**	**-8.06%**
Other non-current liabilities	**442,128**	***0.24%***	412,525	*0.23%*	**29,603**	**7.18%**
TOTAL NONCURRENT LIABILITIES	**43,710,258**	***23.30%***	43,820,807	*24.59%*	**(110,549)**	**-0.25%**
TOTAL LIABILITIES	**64,583,603**	***34.38%***	68,410,496	*38.39%*	**(3,912,548)**	**-5.72%**
EQUITY						
Capital stock	**7,405,264**	***3.95%***	7,405,264	*4.16%*	**-**	**0.00%**
Additional paid-in capital	**9,634,644**	***5.14%***	9,634,644	*5.41%*	**-**	**0.00%**
Remeasurement of retirement liability - net of tax	**52,651**	***0.03%***	(82,145)	*-0.05%*	**134,796**	**- 164.09%**
Reserve for fluctuations in value of financial assets at FVOC	**3,178**	***0.00%***	4,759	*0.00%*	**(1,581)**	**-33.23%**
Share in associate OCI	**(1,318)**	***0.00%***	-	*0.00%*	**(1,318)**	**100%**
Treasury shares	**(1,734,603)**	***-0.92%***	(1,652,861)	*-0.93%*	**(81,742)**	**4.95%**
Retained earnings	**65,943,338**	***35.15%***	58,915,686	*33.06%*	**7,027,652**	**111.93%**
Total Equity Attributable to Equity Holders of Parent Company	**81,303,154**	***43.34%***	74,225,347	*41.66%*	**7,077,807**	**9.54%**
Non-controlling interest	**41,790,558**	***22.28%***	35,553,982	*19.95%*	**6,236,576**	**17.54%**
TOTAL EQUITY	**123,093,712**	***65.62%***	109,779,329	*61.61%*	**13,314,383**	**12.13%**
TOTAL LIABILITIES AND EQUITY	**187,591,750**	***100.00%***	178,189,826	*100.00%*	**9,401,925**	**5.28%**

Current Assets

As at December 31, 2021 and 2020, total current assets amounted to P95.73 Billion or 50.98% of total assets and P88.14 Billion or 49.47% of total assets, respectively, for an increase of P7.59 Billion or 8.61% as at December 31, 2021.

Cash and cash equivalents amounted to P63.86 Billion as at December 31, 2021 with an increase of P15.0 Billion or 30.68% from December 31, 2020 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2020 cash dividends, loan availments and settlements and payments for capital expenditures during the year. This also includes the net proceeds from the equity capital raising by the liquor distribution business segment amounting to P4.36 Billion through a Follow-On Offering of common shares of The Keepers Holdings, Inc. (TKHI) sometime in November 2021. TKHI is the newly-acquired holding company of the three liquor subsidiaries of Cosco implemented through a share-swap transaction duly approved by the Philippine SEC sometime in May 2021.

Receivables decreased by 54.06% from December 31, 2020 balance of P10.31 Billion to this year's balance of P4.73 Billion due mainly to the net effect of collections made on trade and non-trade receivables as well as loans granted to companies under common control.

Inventories increased by 1.91% from 2020 balance of P24.91 Billion to this year's balance of P25.39 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, while stocking requirements of the Liquor Distribution and Specialty Retail segments decreased due to the effect of quarantine restrictions. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P21.56 Billion.

Prepaid expenses and other current assets increased by P197.10 Million or 13.58% at the end of December 2021, mainly due to amortization of prepayments made for advertising, taxes and licenses, and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties decreased by P124.51 Million at the end of December 2021, due primarily to settlement of advances.

<u>Non-current Assets</u>

As at December 31, 2021 and 2020, total non-current assets amounted to P91.86 Billion or 48.97% of total assets, and P90.04 Billion or 50.53% of total assets, respectively, for an increase of P1.81 Billion or 2.02%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P1.13 Billion from P28.68 Billion in December 2020 to P29.82 Billion in December 2021 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P136.66 Million from P24.27 Billion in December 2020 to P24.40 Billion in December 2021 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to rental properties including land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P342.42 Million from P11.14 Billion in December 2020 to P11.49 Billion in December 2021.

Investments decreased by P11.27 Million from P741.17 Million in December 2019 to P729.91 Million in December 2020 representing the share in results of operations of investees.

Deferred tax assets decreased by P19.95 Million or 19.16% from P902.72 Million in December 2020 to P882.76 Million in December 2021 resulting mainly from the reversal of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets increased by P247.35 Million from P3.23 Billion in December 2020 to P3.48 Billion in December 2021. About 73% of these assets are attributable to the Grocery Retail Segment and the decrease was primarily due to additional security deposits, advance payment to contractors, accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17 and application of deferred input VAT.

<u>Current Liabilities</u>

As at December 31, 2021 and 2020, total current liabilities amounted to P20.79 Billion and P24.47 Billion respectively, for a decrease of P3.80 Billion or 15.46%.

About 76% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The decrease by P479.47 Million from P1.53 Billion as at December 2020 to P1.05 Billion as at December 31, 2021 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2021 and the effect of CREATE law.

Short-term loans payable account decreased by P6.0 Million mainly due to settlements made by the Real Estate segment.

Current portion of long-term borrowing decreased by P3.77 Billion mainly due to the settlements of long term loans of the Parent Company maturing in 2021.

Lease liabilities due within one year account increased by P188.54 Million from P1.03 Billion in December 2020 to P1.22 Billion in December 2021 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period.

Due to related parties decreased by P69.82 Million mainly due to the settlements made.

Other current liabilities increased by 17.27% from P662.45 Million as at December 31, 2020 to P776.77 Million as at December 31, 2021 relatively due to deposits from tenants by the Real Estate segment and output VAT during the year by the Grocery Retail segment.

Noncurrent Liabilities

As at December 31, 2021 and 2020, total non-current liabilities amounted to P43.71 Billion and P43.94 Billion, respectively, for decrease of P110.55 Million.

Long-term loans payable-net of current portion decreased by P1.03 Billion mainly due to the settlements of maturing long term corporate notes by the Parent Company and Grocery Retail segment.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P1.12 Billion from P29.15 Billion in December 2020 to P30.27 Billion in December 2021 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability decreased by P82.22 Million mainly due to the net effect of recognition of additional benefit cost during 2021 and the effect of remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities increased by P29.60 Million or 7.18% from P412.52 Million in December 2020 to P442.13 Million as at December 31, 2021 recognition of customer deposits and advance rentals by the Real Estate segment.

Equity

As at December 31, 2021 and December 31, 2020, total equity amounted to P123.09 Billion and P109.78 Billion, respectively, for an increase of P13.31 Billion or 12.13%.

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2021, the account increased by P134.77 Million due to unrealized gain on re-measurement of defined benefit liability as a result of changes in financial assumptions and experience adjustments.

Treasury shares increased by P81.74 million from P1.65 Billion in December 2020 to P1.73 Billion as at December 31, 2021 due to additional buyback by the Parent Company during the year pursuant to its existing share buyback program.

Retained earnings increased by P7.03 Billion or 11.93% from P58.91 Billion in December 2020 to P65.94 Billion as at December 31, 2021 due to profit realized by the Group, net of cash dividend declaration.

Non-controlling interest increased by P6.24 Billion or 17.54% from P35.55 Billion in December 2020 to P41.79 Billion as at December 31, 2021 mainly due to share in the consolidated profit, additional listing of shares of a subsidiary and effect of gain in dilution.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2021**	2020
Net cash flows from operating activities	**P 16,955,382**	**P18,567,985**
Net cash flows used in investing activities	**3,303,285**	**(469,433)**
Net cash flows used in financing activities	**(5,253,227)**	**6,406,190**
Net increase in cash and cash equivalents	**P14,992,461**	**P24,465,778**

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail, Real Estate, special retail and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment’s expansion.

On the other hand, net cash f used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment’s new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment, collection of loans receivable, investments in bonds and proceeds from the eventual sale thereof.

Net cash used in financing activities principally resulted from the net settlements of bank loans by Real Estate and Grocery Retail segment and Parent Company during the year, repayment of principal and interest by the group relating to lease liability, payment of 2020 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables the Group to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. Moreover, its strong financial position can be readily augmented through availments from existing untapped banking and credit facilities as and when required.

Comparative Years 2020 and 2019

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2020 and 2019.

(In Thousands)	FY2020	%	FY2019	%0	*INCREASE (DECREASE)*	%2
REVENUES	**177,316,299**	*100.00%*	166,066,712	*100.00%*	***11,249,586***	*6.77%*
COST OF SALES/SERVICES	**145,021,136**	*81.79%*	136,177,667	*82.00%*	***8,843,470***	*6.49%*
GROSS PROFIT	**32,295,163**	*18.21%*	29,889,045	*18.00%*	***2,406,116***	*8.05%*
OTHER OPERATING INCOME	**3,157,850**	*1.78%*	3,262,853	*1.96%*	***(105,003)***	*-3.22%*
GROSS OPERATING INCOME	**35,453,013**	*19.99%*	33,151,898	*19.96%*	***2,301,113***	*6.94%*
OPERATING EXPENSES	**20,147,712**	*11.36%*	19,147,089	*11.53%*	***1,000,623***	*5.23%*
INCOME FROM OPERATIONS	**15,305,300**	*8.63%*	14,004,809	*8.43%*	***1,300,489***	*9.29%*
OTHER INCOME (CHARGES) - net	**(1,471,766)**	*-0.83%*	4,909,863	*2.96%*	***(6,381,629)***	*129.98%*
INCOME BEFORE INCOME TAX	**13,833,534**	*7.80%*	18,914,672	*11.39%*	***(5,081,140)***	*-26.86%*
INCOME TAX EXPENSE	**3,824,607**	*2.16%*	3,521,465	*2.12%*	***303,142***	*8.61%*
NET INCOME FOR THE YEAR	**10,008,926**	*5.64%*	15,393,207	*9.27%*	***(5,384,282)***	*-34.98%*
CORE NET INCOME	**10,008,926**	*5.38%*	9,319,603	*5.61%*	***689,324***	*7.40%*
CORE NET PATMI	**5,900,195**	*3.28%*	5,871,259	*3.54%*	***28,936***	*0.49%*
PATMI	**5,900,195**	*3.33%*	11,597,381	*6.98%*	***(5,697,186)***	*-49.12%*
Non-controlling interests	**4,108,731**	*2.32%*	3,795,826	*2.29%*	***312,904***	*8.24%*
	10,008,926	*5.64%*	15,393,207	*9.27%*	***(5,384,282)***	*-34.98%*

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P177.31 Billion during the year ended December 31, 2020 which reflects an increase by P11.25 Billion or 6.77% compared to last year's revenue of P166.07 Billion.

The revenue growth was largely contributed by the grocery retail segment primarily attributed to the continued organic expansion as well as robust SSSG performance of both the supermarket and the warehouse club brands which registered a consolidated year on year growth of 9.2% in 2020.

The revenues from the group's commercial real estate, liquor and wine distribution and specialty retail business segments have continued to experience varying degrees of declines during the year 2020 compared to their 2019 levels particularly during the second and third quarters primarily resulting from the business and social disruptions due to the global Covid-19 pandemic. However, said business segments started to recover during the third quarter due to gradual easing in government restrictions in economic activities. The extent of the business impacts on the respective business segments are more fully described in the specific segment operating and financial highlights section.

Growth in Net Income

During the year, the Group realized a consolidated net income of P10.0 Billion which is lower by P5.38 Billion representing a decline of 34.98% year on year as compared to last year's net income of P15.39 Billion.

The 2019 net income includes a one-time gain realized from the sale of the group's equity interest in Liquigaz Philippines Corporation amounting to P6.14 Billion. Excluding this one-time gain on sale of investment, core consolidated net income for the year ended December 31, 2020 would show a growth by 7.40%.

As discussed more fully in Note 33 to the unaudited financial statements, the gain on sale previously reported and presented in the quarterly reports in 2019 represents the gain on sale before the effect of share in income recognized from date of acquisition to date of sale which were directly derecognized from the retained earnings account.

Net income attributable to equity holders of the parent company (PATMI) in 2020 amounted to about P5.90 Billion which decreased by about P5.70 Billion or 49.12% as compared to the 2019 PATMI amounting to P11.60 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2020 would grew by 0.49% which is approximately the same PATMI in 2019.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2020, the Group's flagship grocery retail business segment registered a consolidated revenue contribution amounting to P168.63 Billion which grew by about 9.20% year on year as compared to the segment's revenue contribution of P154.59 Billion in 2019 in spite of the effects of the current Covid-19 pandemic on consumption spending in the country.

While the segment experienced some uptick in sales during the first quarter due to the initial precautionary consumer buying in preparation for the government imposed community quarantine, revenues from some stand-alone QSR outlets of S&R located at community malls and CBDs which were ordered closed experienced some declines during the period of enhanced community quarantine.

During the year 2020, the segment continued to experience growth in sales performance by around 9.20% accounting for 95% of the Group's consolidated revenues and providing a cushion to compensate the revenue declines experienced by the commercial real estate, liquor and wine distribution as well as the specialty retail business segments resulting from the Covid-19 pandemic.

Consolidated net income contribution in 2020 amounted to P8.07 Billion which increased by P1.29 Billion or 19.11% as compared to the net income contribution of P6.77 Billion in the same year in 2019.

Real Estate Segment

The commercial real estate business segment contributed P1.06 Billion to the Group's consolidated revenue in 2020 but experienced a decline of 28.88% from the segment's revenue contribution in 2019 amounting to P1.50 Billion. This was mainly attributable to the management's decision to extend rental reliefs to by way of rental waivers and/or reduced rentals to about 50% of the tenants portfolio directly affected during the temporary closures of all malls and commercial assets in response to the Philippine Government's enhanced community quarantine restrictions.

Consolidated net income contribution in 2020 amounted to about P762.88 Million which decreased by about P408.87 Million or 34.89% as compared to the net income contribution of P1.17 Billion in 2019.

Liquor Distribution Segment

The liquor distribution business segment contributed about P5.95 Billion to the Group's consolidated revenue during the year 2020 representing a decline of 22.03% from the 2019 revenue contribution of P7.63 Billion. The decline is mainly attributable to the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 up to May 31, 2020 which was re-imposed in the NCR from August 4 to 18, 2020. The continuing mobility restrictions that affected the travel and tourism sectors nationwide has likewise contributed to the decline in the segment's revenue during the year.

Consolidated net income contribution in 2020 amounted to about P1.18 Billion which slightly decreased by P31.77 Million or 2.62% compared to the net income contribution in 2019 amounting to P1.21 Billion despite the decrease in revenue and this is mainly due to strategic cost-saving measures implemented by the segment.

Specialty Retail

Office Warehouse, Inc. contributed about P1.67 Billion to the Group's consolidated revenue during the nine-month period of 2020 representing a decrease by about P622.06 Million or 31.82% lower as compared to the 2019 revenue contribution of P2.45 Billion.

The decline was mainly attributable to the government-imposed lockdown and enhanced community quarantine restrictions starting on March 16, 2020 and the related temporary closure of the company's store outlets during the ECQ periods having been classified as non-essential business.

Net income contribution in 2020 amounted to about P55.82 Million which decreased by P41.21 Million or 42.48% as compared to the net income contribution in 2019 amounting to P97.03 Million.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

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

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

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

Gross Profit

For the year ended December 31, 2020, the Grocery Retail segment realized an increase of 12.4% in consolidated gross profit from P25,951 million in 2019 at 16.8% margin to P29,156 million at 17.3% margin in 2020, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

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

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

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

Net Income
For the year ended December 31, 2020, the Grocery Retail segment earned a consolidated net income of P8,067 million at 4.8% net margin and an increase of 19.1% from P6,773 million at 4.4% net margin in 2019.. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to strategically control operating expenses.

Commercial Real Estate

The Group's Real Estate Segment posted P1.69 Billion in revenues for the year ended December 31, 2020 or a 21.0% decrease from P2.15 Billion in 2019. This was mainly attributable to the temporary closures of all malls and commercial assets due to the enhanced community quarantine lockdown imposed by the national government and the management's response to extend rental reliefs by way of rental waivers and/or reduced rentals and other charges for all directly affected mall tenants representing about 50% of the tenants portfolio starting in the second quarter and which continued to the third and fourth quarters subject to management reviews on a quarterly basis.

Income from operations before depreciation decreased by P448.80 Million or 33.03% Million from P1.36 Billion in 2019 to P909.83 Million for the year ended December 31, 2020.

Net income for the year amounted to P699.51 Million or a 42.92% decrease from last year's P1.22 Billion brought about by decline in rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment decreased to P8.17 Billion during 2020 or 23.79% decline from last year's P10.72 Billion amidst a decline of 17% in volume (no. of cases) of sales.

The decline in revenue which was principally experienced in the first half directly resulted from the government imposed liquor bans as part of the government's enhanced community quarantine and related lockdown restrictions in response to the Covid-19 pandemic.

Sales performance during the period was still principally driven by its brandy portfolio which continued to account for more than 70% of sales mix augmented by the strong performance of the other spirits as well as wines and specialty beverages categories.

Income from operations, however, decreased to P52.13 Million in 2020 or 3.10% decline from last year's P1.68 Billion

Net income for the year 2020 decreased by only P32.61 Million or 2.69%, from P1.21 Million in 2019 to P1.18 Billion in 2020, due to strategic cost management measures.

Specialty Retail

Office Warehouse

Sales revenues in 2020 declined by 31.80% to P1.67 Billion as compared to the 2019 revenues of P2.45 Billion mainly attributable to the temporary closure of all the company's store outlets due to the enhanced community quarantine and related lockdown restrictions imposed by the government which started on March 16, 2020 that lasted until May 31, 2020 which resulted to a negative SSSG of 32.19% during the year. The continuing general community quarantine and related mobility restrictions particularly in the National Capital Region and other key regions and/or cities throughout the year contributed to the decline in business volume during the year.

Net income contribution in 2020 amounted to about P55.82 Million which decreased by P41.22 Million or 42.50% decline as compared to the net income contribution in 2019 amounting to P97.03 Million, due principally to the decline in level of business traffic and related sales revenue.

Consolidated Statements of Financial Position

Shown below are the comparative consolidated financial position of the Group:

(In Thousands)	FY2020	%	FY2019	%	INCREASE (DECREASE)	%
ASSETS						
Cash and cash equivalents	**48,867,746**	**27.42%**	24,402,014	15.80%	**24,465,732**	**100.26%**
Receivables - net	**10,308,181**	**5.78%**	16,637,892	10.77%	**(6,329,711)**	**-38.04%**
Financial asset at FVOCI	**8,365**	**0.00%**	9,209	0.01%	**(844)**	**-9.16%**
Financial asset at FVPL	**2,411,375**	**1.35%**	34,921	0.02%	**2,376,455**	**-**
Inventories	**24,914,272**	**13.98%**	24,722,271	16.01%	**192,002**	**0.78%**
Due from related parties	**184,852**	**0.10%**	192,068	0.12%	**(7,216)**	**-3.76%**
Prepayments and other current assets	**1,450,993**	**0.81%**	2,000,503	1.30%	**(549,510)**	**-27.47%**
Total current assets	**88,145,784**	49.47%	67,998,877	44.03%	**20,146,907**	29.63%
Property and equipment - net	**28,683,979**	***16.10%***	27,927,953	*18.08%*	**756,025**	**2.71%**
Right-of-use assets	**24,270,253**	***13.62%***	21,700,103	*14.05%*	**2,570,150**	**11.84%**
Investment properties - net	**11,145,393**	***6.25%***	11,125,998	*7.20%*	**19,396**	**0.17%**
Intangibles and goodwill - net	**21,074,976**	***11.83%***	21,089,717	*13.65%*	**(14,741)**	**-0.07%**
Investments	**729,909**	***0.41%***	741,175	*0.48%*	**(11,266)**	**-1.52%**
Deferred tax assets-net	**902,719**	***0.51%***	566,284	*0.37%*	**336,435**	**59.41%**
Other non-current assets	**3,236,813**	***1.82%***	3,299,789	*2.14%*	**(62,976)**	**-1.91%**
Total noncurrent assets	**90,044,042**	***50.53%***	86,451,018	*55.97%*	**3,593,024**	**4.16%**
Total Assets	**178,189,826**	***100.00%***	154,449,895	*100.00%*	**23,739,931**	**15.37%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**16,667,022**	***9.35%***	15,127,981	*9.79%*	**1,539,042**	**10.17%**
Income tax payable	**1,534,051**	***0.86%***	1,164,727	*0.75%*	**369,324**	**31.71%**
Short-term loans payable	**42,000**	***0.02%***	871,124	*0.56%*	**(829,124)**	**-95.18%**
Current portion of long-term borrowing	**3,766,957**	***2.11%***	43,685	*0.03%*	**3,723,272**	**-**
Lease liability	**1,035,180**	***0.58%***	567,682	*0.37%*	**467,499**	**82.35%**
Due to related parties	**762,031**	***0.43%***	1,343,460	*0.87%*	**(581,429)**	**-43.28%**
Other current liabilities	**662,449**	***0.37%***	596,992	*0.39%*	**65,457**	**10.96%**
Total current liabilities	**24,469,690**	***13.73%***	19,715,651	*12.77%*	**4,754,039**	**24.11%**
Retirement benefit liability	**1,431,760**	***0.80%***	955,818	*0.62%*	**475,942**	**49.79%**
Lease liability-net of current portion	**29,149,190**	***16.36%***	26,101,259	*16.90%*	**3,047,932**	**11.68%**
Deferred tax liabilities	**144,588**	***0.08%***	128,586	*0.08%*	**16,003**	**12.45%**
Long term loans payable - net of debt issue cost	**12,802,743**	***7.18%***	5,094,577	*3.30%*	**7,708,166**	**151.30%**
Other non-current liabilities	**412,525**	***0.23%***	393,219	*0.25%*	**19,306**	**4.91%**
Total noncurrent liabilities	**43,940,807**	***24.66%***	32,673,459	*21.15%*	**11,267,348**	**34.48%**
Total Liabilities	**68,410,496**	***38.39%***	52,389,110	*33.92%*	**16,021,386**	**30.58%**
EQUITY						
Capital stock	**7,405,264**	***4.16%***	7,405,264	*4.79%*	**-**	**-**
Additional paid-in capital	**9,634,644**	***5.41%***	9,634,644	*6.24%*	**-**	**-**
Remeasurement of retirement liability - net of tax	**(82,145)**	***-0.05%***	5,412	*0.00%*	**(87,557)**	**-**
Reserve for fluctuations in value of financial assets at FVOC	**4,759**	***0.00%***	5,603	*0.00%*	**(844)**	**-15.06%**
Treasury shares	**(1,652,861)**	***-0.93%***	(1,403,974)	*-0.91%*	**(248,887)**	**17.73%**
Retained earnings	**58,915,686**	***33.06%***	54,167,213	*35.07%*	**4,748,474**	**8.77%**
Total Equity Attributable to Equity Holders of Parent Company	**74,225,347**	***41.66%***	69,814,161	*45.20%*	**4,411,186**	**6.32%**
Non-controlling interest	**35,553,982**	***19.95%***	32,246,624	*20.88%*	**3,307,358**	**10.26%**
Total Equity	**109,779,329**	***61.61%***	102,060,785	*66.08%*	**7,718,544**	**7.56%**
Total Liabilities and Equity	**178,189,826**	***100.00%***	154,449,895	*100.00%*	**23,739,930**	**15.37%**

Current Assets

Cash and cash equivalents amounted to P48.88 Billion as at December 31, 2020 with an increase of P24.46 Billion or 100.26% from December 31, 2019 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2019 cash dividends, loan availments and settlements and payments for capital expenditures during the year.

Receivables decreased by 38.04% from December 31, 2019 balance of P16.64 Billion to this year's balance of P10.31 Billion due mainly to the net effect of collections made on trade and non-trade receivables as well as loans granted to companies under common control.

Financial assets at fair value through comprehensive income (FVOC) decreased by 9.16% from December 31, 2019 balance of P9.21 Million to this year's balance of P8.36 Million due mainly to the effect of changes in stock prices.

Financial assets at fair value through profit or loss (FVPL) increased by 2.38 Billion from December 31, 2019 balance of P34.92 Million to this year's balance of P2.41 Billion due mainly to the recognition of investments in marketable debt securities made by the Grocery Retail segment.

Inventories increased by 0.78% from 2019 balance of P24.72 Billion to this year's balance of P24.91 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, while stocking requirements of the Liquor Distribution and Specialty Retail segments decreased due to the effect of quarantine restrictions. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P20.92 Billion.

Prepaid expenses and other current assets decreased by P549.51 Million or 27.47% at the end of December 2020, mainly due to amortization of prepayments made for advertising, taxes and licenses, and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties decreased by P7.22 Million at the end of December 2020, due primarily to settlement of advances.

Non-current Assets

As at December 31, 2020 and 2019, total non-current assets amounted to P90.04 Billion or 50.53% of total assets, and P86.45 Billion or 55.97% of total assets, respectively, for an increase of P3.59 Billion or 4.16%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P756.02 Million from P27.93 Billion in December 2019 to P28.68 Billion in December 2020 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P2.57 Billion from P21.70 Billion in December 2019 to P24.27 Billion in December 2020 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P19.40 Million from P11.12 Billion in December 2019 to P11.14 Billion in December 2020.

Investments decreased by P11.27 Million from P741.17 Million in December 2019 to P729.91 Million in December 2020 representing the share in results of operations of investees.

Intangibles and goodwill-net decreased by P14.74 Million from P21.09 Billion in December 2019 to P21.07 Billion in December 2020 primarily due to the periodic amortizations of computer software cost recognized during the year.

Deferred tax assets increased by P336.43 Million or 59.41% from P566.28 Million in December 2019 to P902.72 Million in December 2020 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets decreased by P62.97 Million from P3.30 Billion in December 2019 to P3.24 Billion in December 2020. About 77% of these assets are attributable to the Grocery Retail Segment and the decrease was primarily due to additional security deposits, advance payment to contractors, accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17 and application of deferred input VAT.

Current Liabilities

As at December 31, 2020 and 2019, total current liabilities amounted to P24.47 Billion and P19.71 Billion respectively, for an increase of P4.75 Billion or 24.11%.

About 78% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The increase by P1.54 Billion or 10.17% was primarily due to increase of trade and non-trade liabilities and accrual of cash dividends by the Grocery Retail segment and Parent Company in December 2020.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P369.24 Million from P1.16 Billion as at December 2019 to P1.53 Billion as at December 31, 2020 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2020 in relation to the same period in 2019.

Short-term loans payable account decreased by P829.12 Million mainly due to settlements made by the Real Estate and Liquor Distribution segments.

Current portion of long-term borrowing increased by P3.72 Billion mainly due to the reclassification of long term loans of the Parent Company maturing in 2021.

Lease liabilities due within one year account increased by P467.50 Million from P567.68 Million in December 2019 to P1.03 Billion in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period.

Due to related parties decreased by P581.43 Million mainly due to the settlements made.

Other current liabilities decreased by 10.96% from P596.99 Million as at December 31, 2019 to P662.45 Million as at December 31, 2020 relatively due to deposits from tenants by the Real Estate segment and sale of gift certificates during the year by the Grocery Retail segment

Noncurrent Liabilities

As at December 31, 2020 and 2019, total non-current liabilities amounted to P43.94 Billion and P32.67 Billion, respectively, for an increase of P11.27 Billion or 34.48%.

Long-term loans payable-net of current portion increased by P7.71 Billion mainly due to the availment of long term corporate notes by the Grocery Retail segment net of reclassification to current portion of maturing long term corporate notes by the Parent Company.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P3.05 Billion from P26.10 Billion in December 2019 to P29.15 Billion in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability increased by P475.94 Million mainly due to the net effect of recognition of additional benefit cost during 2020 and the effect of additional remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities increased by P19.31 Million or 4.91% from P393.22 Million in December 2019 to P412.52 Million as at December 31, 2020 recognition of customer deposits and advance rentals by the Real Estate segment.

Equity

As at December 31, 2020 and December 31, 2019, total equity amounted to P109.78 Billion and P102.06 Billion, respectively, for an increase of P7.72 Billion or 7.56%.

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2020, the account decreased by P87.56 Million due to unrealized loss on re-measurement of defined benefit liability as a result of changes in financial assumptions and experience adjustments.

Treasury shares increased by P248.89 million from P1.40 Billion in December 2019 to P1.65 Billion as at December 31, 2020 due to additional buyback by the Parent Company during the year pursuant to its existing share buyback program.

Retained earnings increased by P4.75 Billion or 8.77% from P54.17 Billion in December 2019 to P58.91 Billion as at December 31, 2020 due to profit realized by the Group, net of cash dividend declaration.

Non-controlling interest increased by P3.31 Billion or 10.26% from P32.24 Billion in December 2019 to P35.55 Billion as at December 31, 2020 mainly due to share in the consolidated profit and the effect of top-up placement by the Grocery Retail segment.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2020**	2019
Net cash flows from operating activities	**P18,567,985**	P17,596,154
Net cash flows used in investing activities	**(469,433)**	(5,030,032)
Net cash flows used in financing activities	**6,406,190**	(5,006,579)
Net increase in cash and cash equivalents	**P24,465,778**	P7,617,153

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail, Real Estate and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

On the other hand, net cash f used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment, collection of loans receivable, investments in bonds and proceeds from the eventual sale thereof.

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Liquor Distribution, Real Estate and Parent Company during the year, repayment of principal and interest by the group relating to lease liability, payment of 2019 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables the Group to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. Moreover, its strong financial position can be readily augmented through availments from existing untapped banking and credit facilities as and when required.

Comparative Years 2019 and 2018

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2019 and 2018.

(In Thousands)	FY2019	%	FY2018	%	*INCREASE (DECREASE)*	%
REVENUES	**166,066,712**	***100.00%***	168,210,357	*100.00%*	***(2,143,644)***	***-1.27%***
COST OF SALES/SERVICES	**136,177,666**	***82.00%***	139,809,619	*83.12%*	***(3,631,953)***	***-2.60%***
GROSS PROFIT	**29,889,046**	***18.00%***	28,400,738	*16.88%*	***1,488,308***	***5.24%***
OTHER OPERATING INCOME	**3,262,853**	***1.96%***	2,994,765	*1.78%*	***268,088***	***8.95%***
GROSS OPERATING INCOME	**33,151,900**	***19.96%***	31,395,503	*18.66%*	***1,756,397***	***5.59%***
OPERATING EXPENSES	**19,147,089**	***11.53%***	18,326,809	*10.90%*	***820,280***	***4.48%***
INCOME FROM OPERATIONS	**14,004,811**	***8.43%***	13,068,694	*7.77%*	***936,117***	***7.16%***
OTHER INCOME (CHARGES) - net	**4,909,862**	***2.96%***	(1,301,028)	*-0.77%*	***6,210,890***	***477.38%***
INCOME BEFORE INCOME TAX	**18,914,673**	***11.39%***	11,767,667	*7.00%*	***7,147,007***	***60.73%***
INCOME TAX EXPENSE	**3,521,465**	***2.12%***	3,285,862	*1.95%*	***235,604***	***7.17%***
NET INCOME FOR THE YEAR	**15,393,208**	***9.27%***	8,481,805	*5.04%*	***6,911,403***	***81.49%***
Equity Holders of the Parent Company	**11,597,381**	***6.98%***	5,381,485	*3.20%*	***6,215,896***	***115.51%***
Non-controlling interests	**3,795,827**	***2.29%***	3,100,319	*1.84%*	***695,508***	***22.43%***
	15,393,208	***9.27%***	8,481,805	*5.04%*	***6,911,404***	***81.49%***
EARNINGS PER SHARE (EPS)	**1.65437**		0.75975			***117.75%***
CORE EPS	**0.83754**		0.73362			***14.16%***

<u>Growth in Revenues</u>

Cosco Capital, Inc. and subsidiaries (the “Group”) posted a consolidated revenue of P166.06 Billion during the year ended December 31, 2019 which reflects a decrease by P2.14 Billion or 1.27% compared to last year’s revenue of P168.21 Billion.

The 2019 revenue figures do not anymore include the revenue contributions from Liquigaz in view of the divestment of the group’s equity interests which was closed and completed on February 13, 2019. Excluding Liquigaz’s revenue contribution in 2018 amounting to about P17.09 Billion, for like for like comparability, consolidated revenues of all the business segments in 2019 would reflect a normalized growth of 9.89% year on year over 2018 performance.

<u>Growth in Net Income</u>

During the same year, the Group realized a consolidated net income of P15.39 Billion which is higher by P6.91 Billion representing a growth of 81.49% as compared to last year’s net income of P8.48 Billion which was restated to reflect the retrospective effect of the adoption of new lease accounting standard on Grocery Retail, Real Estate, Liquor Distribution and Specialty Retail segments’ net income.

The 2019 net income includes a one-time gain realized from the sale of the group’s equity interest in Liquigaz Philippines Corporation amounting to P6.07 Billion. Excluding this one-time gain on sale of investment, core consolidated net income for the year ended December 31, 2019 amounted to P9.32 Billion at 5.61% net margin and for a growth of 14.79%.

As discussed more fully in Note 33 to the audited financial statements, the gain on sale previously reported and presented in the quarterly reports in 2019 represents the gain on sale before the effect of share in income recognized from date of acquisition to date of sale which were directly derecognized from the retained earnings account.

Net income attributable to equity holders of the parent company (PATMI) in 2019 amounted to about P11.60 Billion which increased by about P6.21 Billion or 115.51% as compared to the 2018 PATMI amounting to P5.38 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2019 would amount to P5.87 Billion which is 13.0% higher than the 2018 PATMI of P5.19 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2019, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P154.49 Billion or an increase of P13.35 Billion or about 9.46% growth as compared to the segment's revenue contribution of P141.14 Billion of last year brought about by its continued aggressive stores expansion program and management's combined efforts to boost revenue.

Consolidated net income contribution in 2019 amounted to P6.77 Billion which increased by P573.29 Million or 9.25% as compared to the net income contribution of P6.20 Billion in 2018. This includes the one-time gain amounting to around P363 Million realized from the sale of shares in PG Lawson. Excluding this non-recurring item, core consolidated net income amounted to P6.75 Billion which registered a growth of 16.0% year on year from the previous year.

Real Estate Segment

The commercial real estate business segment contributed P1.49 Billion to the Group's consolidated revenue in 2019 representing a growth of about P118.54 Million or 8.59% of the segment's revenue contribution in 2018 amounting to P1.38 Billion. This was mainly attributable to the additional leasable area from the new mall assets added to the portfolio during the first quarter of 2018 and in 2019, sustained higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Consolidated net income contribution in 2018 amounted to about P1.17 Billion which increased by about P85.79 Million or 7.90% as compared to the net income contribution of P1.08 Billion in 2018, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Liquor Distribution Segment

The liquor distribution business segment contributed about P7.63 Billion to the Group's consolidated revenue in 2019 representing an increase by about P1.11 Billion or 17.12% higher as compared to the 2018 revenue contribution of P6.51 Billion mainly attributable to its continued strong sales performance of its brandy category particularly the Alfonso brand and on the back of its aggressive sales and marketing campaign during the period.

Consolidated net income contribution in 2019 amounted to about P1.21 Billion which increased by P470.15 Million or 63.26% as compared to the net income contribution in 2018 amounting to P743.18 Million, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Specialty Retail
In view of the group's divestment in Liquigaz which was completed in February 2019 following the approval of the transaction by the Philippine Competition Commission, the financial performance of the Specialty Retail segment in 2019 covers only that of Office Warehouse.

Office Warehouse, Inc. contributed about P2.45 Billion to the Group's consolidated revenue during the fiscal year 2019 representing an increase by about P361.83 Million or 17.35% higher as compared to the 2018 revenue contribution of P2.08 Billion mainly attributable to its strong same store sales growth (SSSG) of 12.19% and its enhanced product offerings and aggressive sales and marketing campaign. Net income contribution in 2019 amounted to about P97.03 Million which increased by P31.45 Million or 48.0% as compared to 2018 amounting to P65.58 Million, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Segment Operating & Financial Highlights

Grocery Retail

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

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

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

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

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

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

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

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

<u>Commercial Real Estate</u>

The Group's Real Estate Segment posted P2.14 Billion in revenues for the year ended December 31, 2019 or a 5.71% increase from P2.03 Billion from 2018. This was mainly attributable to the additional leasable area from its new mall assets added to its portfolio in early 2018 and 2019, higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Income from operations before depreciation increased by P69.43 Million or 4.5% from P1.53 Billion in 2018 to P1.60 Billion for the year ended December 31, 2019.

Net income for the year ended December 31, 2019 amounted to P1.22 Billion or a 12.8% increase from last year's P1.08 Billion brought about by additional rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to P10.72 Billion in 2019 or 22.52% growth from last year's P8.74 Billion on the back of a robust sales performance in volume (no. of cases) sold which grew by about 43%. The strong sales performance is still principally driven by its brandy portfolio which accounts for more than 70% of sales augmented by the strong performance of the other spirits sector.

Income from operations increased to P1.68 Billion in 2019 or 66.63% higher from last year's P1.01 Billion.

Net income for the 2019 period increased by P474.09 Million from P738.36 Million in 2018 to P1.21 Billion in 2019 or 64.20% growth.

Specialty Retail

Office Warehouse

As at December 31, 2019, the company had expanded its retail network to 89 stores from 46 stores at acquisition date sometime in May 2014. Net selling area also increased to 15,589 sq.m. or a cumulative growth by 41.25% from the date of acquisition. Sales revenues increased to P2.45 Billion in 2019 or 17.3% higher as compared to the 2018 revenue of P2.09 Billion mainly attributable to its continuing stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 12.19% during the fiscal year 2019. Net income contribution in 2019 amounted to about P97.03 Million which increased by P31.45 Million or 48% as compared to the net income contribution in 2018 amounting to P65.58 Million

Liquigaz

On October 19, 2018, Liquigaz parent company, Canaria Holdings Corporation (CHC) and Fernwood Holdings, Inc. signed a Share Purchase Agreement whereby Canaria sells all its shares in Liquigaz Philippines Corporation and Calor Phils. Holdings, Inc. to Fernwood Holdings, Inc. The transaction was subsequently approved by the Philippine Competition Commission on January 17, 2019 paving the way for its closing and completion on February 13, 2019.

The sale of investment in Liquigaz resulted to a one-time gain of P6.07 Billion, net of capital gains tax.

Revenues generated in 2018 amounted to P17.09 Billion and net income of P626.23 Million.

Consolidated Statements of Financial Position

Shown below are the comparative consolidated financial position of the Group:

(In Thousands)	2019	%	2018 (As Restated)	%	INCREASE (DECREASE)	%
Current Assets						
Cash and cash equivalents	**24,402,014**	**15.80%**	16,784,861	12.03%	**7,617,153**	**45.38%**
Receivables - net	**16,637,892**	**10.77%**	6,630,927	4.75%	**10,006,966**	**150.91%**
Financial asset at FVOCI	**9,209**	**0.01%**	7,026	0.01%	**2,182**	**31.06%**
Financial asset at FVPL	**34,921**	**0.02%**	36,503	0.03%	**(1,582)**	**-4.33%**
Inventories	**24,722,271**	**16.01%**	23,931,657	17.15%	**790,614**	**3.30%**
Due from related parties	**192,068**	**0.12%**	47,971	0.03%	**144,096**	**300.38%**
Prepayments and other current assets	**2,000,502**	**1.30%**	2,609,348	1.87%	**(608,846)**	**-23.33%**
	67,998,876	**44.03%**	50,048,292	35.87%	**17,950,584**	**35.87%**
Assets of disposal group classified as held for sale	**-**	**-**	7,320,895	5.25%	**(7,320,895)**	**-100.00%**
Total current assets	**67,998,876**	**44.03%**	57,369,187	41.11%	**10,629,689**	**18.53%**
Noncurrent Assets						
Property and equipment - net	**27,927,953**	***18.08%***	26,343,793	*18.88%*	**1,584,160**	**6.01%**
Right-of-use assets	**21,700,103**	***14.05%***	20,082,426	*14.39%*	**1,617,676**	**8.06%**
Investment properties - net	**11,125,998**	***7.20%***	10,836,618	*7.77%*	**289,379**	**2.67%**
Intangibles and goodwill - net	**21,089,717**	***13.65%***	21,095,502	*15.12%*	**(5,786)**	**-0.03%**
Investments	**741,175**	***0.48%***	603,175	*0.43%*	**138,000**	**22.88%**
Deferred oil and mineral exploration costs		***0.00%***	123,365	*0.09%*	**(123,365)**	**-100.00%**
Deferred tax assets-net	**566,284**	***0.37%***	96,263	*0.07%*	**470,021**	**488.27%**
Other non-current assets	**3,299,789**	***2.14%***	2,987,211	*2.14%*	**312,578**	**10.46%**
Total noncurrent assets	**86,451,018**	***55.97%***	82,168,354	*58.89%*	**4,282,665**	**5.21%**
Total Assets	**154,449,894**	***100.00%***	139,537,541	*100.00%*	**14,912,354**	**10.69%**
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	**15,127,981**	***9.79%***	13,016,166	*9.33%*	**2,111,814**	**16.22%**
Income tax payable	**1,164,727**	***0.75%***	930,909	*0.67%*	**233,818**	**25.12%**
Short-term loans payable	**871,124**	***0.56%***	4,866,300	*3.49%*	**(3,995,176)**	**-82.10%**
Current portion of long-term borrowing	**43,685**	***0.03%***	49,999	*0.04%*	**(6,314)**	**-12.63%**
Lease liabilities due within one year	**567,682**	***0.37%***	725,846	*0.52%*	**(158,164)**	**-21.79%**
Due to related parties	**1,343,460**	***0.87%***	1,365,863	*0.98%*	**(22,403)**	**-1.64%**
Other current liabilities	**596,992**	***0.39%***	434,901	*0.31%*	**162,091**	**37.27%**
	19,715,651	***12.77%***	21,389,984	*15.33%*	**(1,674,333)**	**-7.83%**
Liabilities of disposal group classified as held for sale	**-**	***-***	1,834,651	*1.31%*	**(1,834,651)**	**-100.00%**
Total current liabilities	**19,715,651**	***12.77%***	23,224,635	*16.64%*	**(3,508,984)**	**-15.11%**
Noncurrent Liabilities						
Retirement benefit liability	**955,818**	***0.62%***	508,533	*0.36%*	**447,285**	**87.96%**
Lease liabilities	**26,101,259**	***16.90%***	23,496,626	*16.84%*	**2,604,632**	**11.09%**
Deferred tax liabilities	**128,586**	***0.08%***	177,626	*0.13%*	**(49,040)**	**-27.61%**
Long term loans payable - net of debt issue cost	**5,094,577**	***3.30%***	6,572,209	*4.71%*	**(1,477,632)**	**-22.48%**
Other non-current liabilities	**393,219**	***0.25%***	433,342	*0.31%*	**(40,123)**	**-9.26%**
Total noncurrent liabilities	**32,673,459**	***21.15%***	31,188,337	*22.35%*	**1,485,123**	**4.76%**
Total Liabilities	**52,389,110**	***33.92%***	54,412,971	*39.00%*	**(2,023,861)**	**-3.72%**
EQUITY						
Capital stock	**7,405,264**	***4.79%***	7,405,264	*5.31%*	**-**	**-**
Additional paid-in capital	**9,634,644**	***6.24%***	9,634,644	*6.90%*	**-**	**-**
Retirement benefits reserve	**5,412**	***0.00%***	113,822	*0.08%*	**(108,410)**	**-95.25%**
Other reserve	**5,602**	***0.00%***	3,420	*0.00%*	**2,182**	**63.78%**
Treasury shares	**(1,403,974)**	***-0.91%***	(1,197,727)	*-0.86%*	**(206,247)**	**17.22%**
Retained earnings	**54,167,212**	***35.07%***	42,775,502	*30.66%*	**11,391,710**	**26.63%**
Total Equity Attributable to Equity Holders of Parent Company	**69,814,160**	***45.20%***	58,734,925	*42.09%*	**11,079,235**	**18.86%**
Non-controlling interest	**32,246,624**	***20.88%***	26,389,644	*18.91%*	**5,856,980**	**22.19%**
Total Equity	**102,060,784**	***66.08%***	85,124,569	*61.00%*	**16,936,215**	**19.90%**
Total Liabilities and Equity	**154,449,894**	***100.00%***	139,537,541	*100.00%*	**14,912,353**	**10.69%**

Current Assets

Cash and cash equivalents amounted to P24.40 Billion as at December 31, 2019 with an increase of P7.62 Billion or 45.38% from December 31, 2018 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2019 cash dividends, settlement of loans and payments for capital expenditures during the year.

Receivables increased by 150.91% from December 31, 2018 balance of P6.63 Billion to this year's balance of P16.64 Billion due mainly to the net effect of collections made and the loans granted to companies under common control.

Assets of disposal group classified as held for sale pertain to current and noncurrent assets of Liquigaz Philippine Corporation (LPC) which were reclassified as at December 31, 2018 in view of the sale of the group's equity interest in LPC) through a Share Purchase Agreement signed on October 19, 2018 between Canaria Holdings Corporation (CHC) and Fernwood Holdings, Inc. which was subsequently approved by the Philippine Competition Commission on January 17, 2019. The sale transaction was closed and completed on February 13, 2019, thus paving the way for the derecognition of these assets in the consolidated statements of financial position.

Financial assets at fair value through comprehensive income (FVOC) increased by 31.06% from December 31, 2018 balance of P7.02 Million to this year's balance of P9.21 Million due mainly to the effect of changes in stock prices.

Financial assets at fair value through profit or loss (FVPL) decreased by 4.33% from December 31, 2018 balance of P36.50 Million to this year's balance of P34.92 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 3.30% from 2018 balance of P23.93 Billion to this year's balance of P24.72 Billion due additional stocking requirement of existing and new operating stores, as well as the additional stocking requirements of the Liquor Distribution segment. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P19.53 Billion.

Prepaid expenses and other current assets decreased by P608.85 Million or 23.33% at the end of December 2019, mainly due to amortization of prepayments made for advertising, taxes and licenses, availment of new policies for insurance of new stores and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties increased by P144.09 Million at the end of December 2019, due primarily to additional advances made.

Non-current Assets

As at December 31, 2019 and 2018, total non-current assets amounted to P86.41 Billion or 55.96% of total assets, and P82.17 Billion or 58.89% of total assets, respectively, for an increase of P4.24 Billion or 5.17%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P1.58 Billion from P26.34 Billion in December 2018 to P27.93 Billion in December 2019 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P1.62 Billion from P20.08 Billion in December 2018 to P21.70 Billion in December 2019 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P289.38 Million from P10.84 Billion in December 2018 to P11.12 Billion in December 2019.

Investments increased by P138 Million from P603.17 Million in December 2018 to P741.17 Million in December 2019 representing the additional equity investments by the Liquor Distribution segment in Pernod Philippines.

Intangibles and goodwill-net decreased by P5.78 Million from P21.09 Billion in December 2018 to P21.09 Billion in December 2019 primarily due to the periodic amortizations of computer software cost recognized during the year.

Deferred tax assets increased by P432.59 Million or 448.35% from P96.26 Million in December 2018 to P527.86 Million in December 2019 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets increased by P312.58 Million from P2.99 Billion in December 2018 to P3.30 Billion in December 2019. About 73% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline as well as the accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at December 31, 2019 and 2018, total current liabilities amounted to P19.71 Billion and P23.22 Billion respectively, for a decrease of P3.51 Billion or 15.11%.

About 75% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The increase by P2.11 Billion or 16.22% was primarily due to increase of trade and non-trade liabilities and declaration of dividends by the Grocery Retail segment and Parent Company in 2019.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P233.82 Million from P930.31 Million as at December 2018 to P1.16 Billion as at December 31, 2019 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2019 in relation to the same period in 2018.

Liabilities of disposal group classified as held for sale pertain to current and noncurrent liabilities under LPC which were reclassified as at December 31, 2018 in view of the sale of the group's equity interest in LPC through a Share Purchase Agreement signed on October 19, 2018 between Canaria Holdings Corporation (CHC) and Fernwood Holdings, Inc. which was subsequently approved by the Philippine Competition Commission on January 17, 2019. The sale transaction was closed and completed on February 13, 2019, thus paving the way for their derecognition from the consolidated statements of financial position.

Short-term loans payable account decreased by P3.99 Billion mainly due to settlements made by the Grocery Retail, Real Estate and Liquor Distribution segments.

Current portion of long-term borrowing decreased by P6.1 Million mainly due to amortization of debt issue cost.

Lease liabilities due within one year account increased by P82.35 Million from P643.49 Million in December 2018 to P725.85 Million in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Due to related parties decreased by P22.40 Million mainly due to the settlements made.

Other current liabilities decreased by 37.27% from P434.90 Million as at December 31, 2018 to P597.0 Million as at December 31, 2019 relatively due to deposits from tenants and sale of gift certificates during the year by the Grocery Retail segment.

Noncurrent Liabilities

As at December 31, 2019 and December 31, 2018, total non-current liabilities amounted to P32.67 Billion and P31.19 Billion, respectively, for an increase of P1.48 Billion or 4.76%.

Long-term loans payable-net of current portion decreased by P1.48 Billion mainly due to the settlements by the Grocery Retail segment of its long term bank loans.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P2.60 Billion from P23.50 Billion in December 2018 to P26.10 Billion in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability increased by P447.28 Million mainly due to the net effect of recognition of additional benefit cost during 2019 and the effect of additional remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities decreased by P40.12 Million or 9.26% from P433.34 Million in December 2018 to P393.22 Million as at December 31, 2019 due to application of customer deposits and advance rentals by the Real Estate segment.

Equity

As at December 31, 2019 and December 31, 2018, total equity amounted to P102.02 Billion and P85.12 Billion, respectively, for an increase of P16.90 Billion or 19.85%.

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2019, the account decreased by P108.41 Million due to unrealized loss on re-measurement of defined benefit liability as a result of changes in financial assumptions and experience adjustments.

Treasury shares increased by P206.25 million from P1.20 Billion in December 2018 to P1.40 Billion as at December 31, 2019 due to additional buyback by the Parent Company during the year in relation to its existing buyback program.

Retained earnings increased by P11.39 Billion or 26.63% from P42.77 Billion in December 2018 to P54.17 Billion as at December 31, 2019 due to profit realized by the Group, net of cash dividend declaration and the effect of adoption of PFRS 16, *Leases*.

Non-controlling interest increased by P5.85 Billion or 22.19% from P26.39 Billion in December 2018 to P32.25 Billion as at December 31, 2019 mainly due to share in the consolidated profit and the effect of top-up placement by the Grocery Retail segment.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2019**	2018
Net cash flows from operating activities	**P17,139,067**	P12,184,405
Net cash flows used in investing activities	**(4,544,140)**	(5,259,386)
Net cash flows used in financing activities	**(5,006,579)**	(5,517,456)
Net increase in cash and cash equivalents	**P7,617,153**	P1,431,763

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

On the other hand, net cash from and used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment and the proceeds from divestment of Liquigaz.

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Grocery Retail, Liquor Distribution, Real Estate and Parent Company during the year, repayment of principal and interest by the group relating to lease liability, payment of 2019 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables the Group to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow, cash recently received from the sale of shares to the equity market and from debt market;

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

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

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

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

ANNEX "B"

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

With Independent Auditors' Report

cosco capital
incorporated

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Cosco Capital, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature ______________________
LUCIO L. CO / Chairman of the Board

Signature ______________________
LEONARDO B. DAYAO / President

Signature ______________________
TEODORO A. POLINGA / Chief Finance Officer

SUBSCRIBED AND SWORN to before me this ______ day of APR 21 2022 2022 affiants exhibiting to me their respective Tax Identification Number, as follows:

Name	TIN
LUCIO L. CO	108-975-971
LEONARDO B. DAYAO	135-546-815
TEODORO A. POLINGA	104-883-077

Doc. No. 142
Page No. 29;
Book No. CLVII
Series of 2022

Signed this ___day of ___________, 2022

ATTY. JOHN EDWARD TRINIDAD ANG
Notary Public for the City of Manila - Extended until June 30, 2022
Notarial Commission No. 2020-033
2/F Midland Plaza Hotel, Adriatico st., Ermita, Mla.
IBP No. 166318- Oct. 25, 2021 Pasig City
PTR No. 0097534/Jan. 3, 2022 at Manila
Roll No. 68731 MCLE Compliance No. VI0017186-Jan.24, 2019

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Cosco Capital, Inc. and Subsidiaries
900 Romualdez Street
Paco, Manila

Opinion

We have audited the consolidated financial statements of Cosco Capital, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

Valuation of Goodwill and Other Intangibles with Indefinite Lives
Refer to Note 13 to the consolidated financial statements.

The risk
The Group acquired through business combinations goodwill and other intangibles with indefinite lives totaling P20.9 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, the 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 (P177.6 billion)
Refer to Notes 3 and 19 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* and PFRS 16, *Leases*.

- 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.

- For grocery retail, specialty retail and liquor distribution segments, we tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as generated sales summary reports from the point-of-sale (POS) system, as reconciled with the cash receipts, to assess whether these transactions are recorded in the correct reporting period.

- We vouched, on a sample basis, sales transactions to supporting documentation such as sales invoices, delivery documents and value-added-tax returns, as applicable, to ascertain that the revenue recognition criteria are met.

- We tested, on a sample basis, journal entries posted to revenue accounts to identify unusual or irregular items.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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 PSAs 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 PSAs, 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 8854063
Issued January 3, 2022 at Makati City

May 6, 2022
Makati City, Metro Manila

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P63,860,207**	P48,867,746
Receivables - net	*5*	**4,735,784**	10,308,181
Inventories	*6, 20*	**25,390,956**	24,914,272
Financial assets at fair value through profit or loss	*7*	**30,726**	2,411,375
Financial assets at fair value through other comprehensive income	*8*	**6,784**	8,365
Due from related parties	*25*	**60,340**	184,852
Prepaid expenses and other current assets	*9*	**1,648,099**	1,450,993
Total Current Assets		**95,732,896**	88,145,784
Noncurrent Assets			
Investment in associates and joint ventures	*10*	**715,393**	729,910
Right of use of assets - net	*21*	**24,406,913**	24,270,253
Property and equipment - net	*11*	**31,818,124**	28,683,979
Investment properties - net	*12*	**9,487,968**	11,145,393
Goodwill and other intangibles - net	*13*	**21,057,378**	21,074,975
Deferred tax assets - net	*27*	**882,764**	902,719
Deferred oil and mineral exploration costs - net	*14*	**6,154**	-
Other noncurrent assets	*15*	**3,484,160**	3,236,811
Total Noncurrent Assets		**91,858,854**	90,044,040
		P187,591,750	P178,189,824
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*16*	**P16,872,386**	P16,667,022
Income tax payable		**1,054,585**	1,534,051
Lease liabilities due within one year	*21, 25*	**1,223,723**	1,035,180
Short-term loans	*17*	**48,000**	42,000
Current maturities of long-term loans due within one year	*17*	**120,000**	3,886,957
Due to related parties	*25*	**692,219**	762,031
Other current liabilities	*18*	**776,867**	662,449
Total Current Liabilities		**20,787,780**	24,589,690

Forward

		December 31	
	Note	**2021**	2020
Noncurrent Liabilities			
Long-term loans	*17*	**P11,650,458**	P12,682,743
Lease liabilities	*21, 25*	**30,271,128**	29,149,190
Retirement benefits liability	*26*	**1,346,544**	1,431,760
Deferred tax liabilities - net	*27*	**-**	144,588
Other noncurrent liabilities	*21*	**442,128**	412,525
Total Noncurrent Liabilities		**43,710,258**	43,820,806
Total Liabilities		**64,498,038**	68,410,496
Equity			
Capital stock	*28*	**7,405,264**	7,405,264
Additional paid-in capital		**9,634,644**	9,634,644
Treasury stock	*28*	**(1,734,603)**	(1,652,861)
Retirement benefits reserve	*26*	**52,651**	(82,145)
Other reserve		**1,859**	4,758
Retained earnings		**65,943,338**	58,915,686
Total Equity Attributable to Equity Holders of the Parent Company		**81,303,153**	74,225,346
Noncontrolling Interests	*28*	**41,790,559**	35,553,982
Total Equity		**123,093,712**	109,779,328
		P187,591,750	P178,189,824

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands except Per Share Data)

		Years Ended December 31		
	Note	**2021**	2020	2019
REVENUES	*19, 29*			
Net sales		**P173,631,651**	P176,250,557	P164,568,286
Rent		**822,122**	1,065,742	1,498,426
		174,453,773	177,316,299	166,066,712
COST OF REVENUES	*20*			
Cost of goods sold		**140,200,718**	144,410,198	135,516,879
Cost of rent		**621,445**	610,939	660,788
		140,822,163	145,021,137	136,177,667
GROSS INCOME		**33,631,610**	32,295,162	29,889,045
OTHER REVENUE	*19, 22*	**3,216,628**	3,157,850	3,262,853
TOTAL GROSS INCOME AND OTHER REVENUE		**36,848,238**	35,453,012	33,151,898
OPERATING EXPENSES	*23*	**21,461,845**	20,147,712	19,147,089
INCOME FROM OPERATIONS		**15,386,393**	15,305,300	14,004,809
OTHER INCOME (CHARGES)				
Interest expense	*17, 21*	**(2,522,629)**	(2,198,570)	(2,076,648)
Interest income	*4, 25*	**494,616**	696,110	837,882
Others - net	*24*	**144,826**	30,693	6,148,629
		(1,883,187)	(1,471,767)	4,909,863
INCOME BEFORE INCOME TAX		**13,503,206**	13,833,533	18,914,672
PROVISION FOR INCOME TAXES	*27*	**2,991,716**	3,824,607	3,521,465
NET INCOME		**P10,511,490**	P10,008,926	P15,393,207
Net income attributable to:				
Equity holders of the Parent Company		**P6,294,194**	P5,900,195	P11,597,381
Noncontrolling interests	28	**4,217,296**	4,108,731	3,795,826
		P10,511,490	P10,008,926	P15,393,207
Basic/diluted earnings per share attributable to equity holders of the Parent Company	*30*	**P0.91**	P0.84	P1.65

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands except Per Share Data)

		Years Ended December 31		
	Note	**2021**	2020	2019
NET INCOME		**P10,511,490**	P10,008,926	P15,393,207
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified subsequently to profit or loss				
Remeasurement gain (loss) on retirement benefits		**373,659**	(250,368)	(316,310)
Unrealized gain (loss) on financial assets	*8*	**(1,581)**	(844)	2,182
Share in other comprehensive of associates and joint ventures		**(1,318)**	-	-
Income tax effect		**(101,755)**	74,806	96,421
		269,005	(176,406)	(217,707)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P10,780,495**	P9,832,520	P15,175,500
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**P6,426,091**	P5,811,794	P11,419,798
Non-controlling interests	*28*	**4,354,404**	4,020,726	3,755,702
		P10,780,495	P9,832,520	P15,175,500

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands Except per Share Data)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 28)	**Additional Paid-in Capital**	**Treasury Shares** (Note 28)	**Retirement Benefits Reserve** (Note 26)	**Other Reserve** (Note 8)	**Retained Earnings** (Note 1)	**Total**	**Non-controlling Interests** (Notes 1 and 28)	**Total Equity**
Balance at December 31, 2018	P7,405,264	P9,634,644	(P1,197,727)	P113,822	P3,420	P42,775,502	P58,734,925	P26,389,644	P85,124,569
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	11,597,381	11,597,381	3,795,826	15,393,207
Other comprehensive income (loss)	-	-	-	(108,410)	2,182	-	(106,228)	(111,479)	(217,707)
	-	-	-	(108,410)	2,182	11,597,381	11,491,153	3,684,347	15,175,500
Issuance of shares by a subsidiary									
Net proceeds	-	-	-	-	-	-	-	4,635,580	4,635,580
Gain on dilution of ownership interest	-	-	-	-	-	1,313,808	1,313,808	(1,313,808)	-
	-	-	-	-	-	1,313,808	1,313,808	3,321,772	4,635,580
Acquisition of treasury shares	-	-	(206,247)	-	-	-	(206,247)	-	(206,247)
Cash dividends	-	-	-	-	-	(1,519,479)	(1,519,479)	(1,149,139)	(2,668,618)
Balance at December 31, 2019	7,405,264	9,634,644	(1,403,974)	5,412	5,602	54,167,212	69,814,160	32,246,624	102,060,784
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	5,900,195	5,900,195	4,108,731	10,008,926
Other comprehensive loss	-	-	-	(87,557)	(844)	-	(88,401)	(88,005)	(176,406)
	-	-	-	(87,557)	(844)	5,900,195	5,811,794	4,020,726	9,832,520
Acquisition of treasury shares	-	-	(248,887)	-	-	-	(248,887)	-	(248,887)
Cash dividends	-	-	-	-	-	(1,151,721)	(1,151,721)	(713,368)	(1,865,089)
Balance at December 31, 2020	**7,405,264**	**9,634,644**	**(1,652,861)**	**(82,145)**	**4,758**	**58,915,686**	**74,225,346**	**35,553,982**	**109,779,328**
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	6,294,194	6,294,194	4,217,296	10,511,490
Other comprehensive loss	-	-	-	134,796	(2,899)	-	131,897	137,108	269,005
	-	-	-	134,796	(2,899)	6,294,194	6,426,091	4,354,404	10,780,495
Issuance of shares by a subsidiary									
Net proceeds	-	-	-	-	-	-	-	4,326,867	4,326,867
Gain on dilution of ownership interest	-	-	-	-	-	1,599,029	1,599,029	(1,599,029)	-
	-	-	-	-	-	1,599,029	1,599,029	2,727,838	4,326,867
Acquisition of treasury shares	-	-	(81,742)		-	-	(81,742)	-	(81,742)
Cash dividends	-	-	-	-	-	(862,851)	(862,851)	(807,045)	(1,669,896)
Acquisition of noncontrolling interest						(2,720)	(2,720)	(38,620)	(41,340)
Balance at December 31, 2021	**P7,405,264**	**P9,634,644**	**(P1,734,603)**	**P52,651**	**P1,859**	**P65,943,338**	**P81,303,153**	**P41,790,559**	**P123,093,712**

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P13,503,206**	P13,833,533	P18,914,672
Adjustments for:				
Depreciation and amortization	*11, 12, 13, 21*	**4,624,580**	4,195,584	3,423,159
Interest expense	*17, 21*	**2,522,629**	2,198,570	2,076,648
Interest income	*4, 25*	**(494,616)**	(696,110)	(837,882)
Retirement benefits cost	*26*	**297,227**	235,531	136,099
Gain from pre-terminated lease contracts	*21, 24*	**(89,422)**	(29,811)	(42,460)
Share in losses (income) of joint ventures and associate	*10, 24*	**13,979**	15,313	(11,044)
Unrealized foreign exchange loss (gain)		**12,979**	19,482	(28,805)
Gain on insurance claims	*24*	**(6,379)**	(513)	(3,503)
Loss (gain) from sale of financial assets through profit or loss	*7, 24*	**5,292**	(36,230)	-
Unrealized loss (gain) on financial assets at FVPL	*7, 24*	**(3,213)**	7,407	1,582
Dividend income	*25*	**(983)**	(652)	(652)
Gain on disposal of property and equipment	*24*	**(784)**	(739)	-
Impairment loss on property and equipment	*11*	**-**	160,037	-
Impairment loss on receivables	*5*	**-**	64,689	8,649
Gain on sale of subsidiary/joint venture	*10, 33*	**-**	-	(6,073,605)
Impairment loss on deferred oil and mineral exploration costs	*14, 23*	**-**	-	128,090
Operating income before changes in working capital		**20,384,495**	19,966,091	17,690,948
Decrease (increase) in:				
Receivables		**47,854**	129,711	1,883,294
Inventories		**(476,684)**	(192,002)	(790,614)
Prepaid expenses and other current assets		**(230,086)**	369,275	608,230
Due from related parties		**124,511**	7,216	(144,097)
Increase (decrease) in:				
Accounts payable and accrued expenses		**205,364**	2,344,714	1,362,540
Due to related parties		**(69,812)**	(581,429)	(22,403)
Other current liabilities		**114,418**	65,457	162,091
Other noncurrent liabilities		**29,603**	19,013	(40,123)

Forward

	Note	2021	2020	2019
		Years Ended December 31		
Cash generated from operations		**P20,129,663**	P22,128,046	P20,709,866
Income taxes paid		**(3,664,589)**	(3,714,508)	(3,566,714)
Interest received	*4*	**494,616**	459,065	485,892
Retirement benefits paid	*26*	**(4,308)**	(8,839)	(4,085)
Net cash provided by operating activities		**16,955,382**	18,863,764	17,624,959
CASH FLOWS FROM INVESTING ACTIVITIES				
Collections of loans receivable	*25*	**5,524,543**	6,200,000	-
Additions to:				
Financial assets at fair value through profit or loss		**-**	(7,883,862)	(126,956)
Property and equipment	*11*	**(3,877,335)**	(3,448,850)	(3,885,582)
Investment properties	*12*	**(467,404)**	(137,454)	(617,518)
Intangibles	*13*	**(32,274)**	(28,678)	(40,801)
Deferred mineral and oil exploration		**(6,154)**	-	(4,725)
Proceeds from:				
Sale of financial assets through profit or loss	*7*	**2,378,570**	5,536,230	-
Disposal of property and equipment		**28,582**	2,301	129,910
Insurance claims	*24*	**6,379**	513	3,503
Sale of interest in a subsidiary/joint venture	*33*	**-**	-	11,370,980
Increase in other noncurrent assets		**(252,605)**	(947,330)	(312,577)
Dividends received	*25*	**983**	652	652
Interest received from loans receivable		**-**	237,045	351,990
Loans receivable granted during the year	*25*	**-**	-	(11,898,908)
Net cash from (used in) investing activities		**3,303,285**	(469,433)	(5,030,032)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from sale of subsidiary shares	*1*	**4,326,867**	-	4,635,580
Availment of:				
Short-term loans	*17*	**48,000**	-	642,855
Long-term loans	*17*	**-**	12,000,000	-
Payments of:				
Short-term loans	*17*	**(42,000)**	(829,124)	(4,638,031)
Long-term loans	*17*	**(4,799,242)**	(450,000)	(1,488,429)
Interest expense		**(683,752)**	(432,992)	(398,529)
Debt issuance cost		**-**	(129,000)	-

Forward

	Note	2021	2020	2019
		Years Ended December 31		
Repayments of lease:				
Principal amount		**(P471,245)**	(P704,849)	(P567,555)
Interest expense		**(1,838,877)**	(1,758,234)	(1,673,636)
Cash dividends paid		**(1,669,896)**	(1,356,031)	(1,312,587)
Buyback of capital stock	*28*	**(81,742)**	(248,887)	(206,247)
Acquisition of noncontrolling interests		**(41,340)**	-	-
Net cash provided by (used in) financing activities		**(5,253,227)**	6,090,883	(5,006,579)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(12,979)**	(19,482)	28,805
NET INCREASE IN CASH AND CASH EQUIVALENTS		**14,992,461**	24,465,732	7,617,153
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**48,867,746**	24,402,014	16,784,861
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P63,860,207**	P48,867,746	P24,402,014

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Cosco Capital, Inc. (the “Parent Company” or “Cosco”), formerly Alcorn Gold Resources Corporation, was incorporated and registered with the Philippine Securities and Exchange Commission (“SEC”) on January 19, 1988. Its shares of stock are publicly traded in the Philippine Stock Exchange (“PSE”) since September 26, 1988. The Parent Company’s public float is at 22.90% and 22.99% as at December 31, 2021 and 2020.

On October 8, 1999, the Parent Company’s shareholders approved the amendment of its primary purpose from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Parent Company. On January 13, 2000, the SEC approved the amendments of the Parent Company’s Articles of Incorporation. As a holding company, Cosco may engage in any business that may add to its shareholders’ worth.

On December 10, 2012, in a special meeting, the Board of Directors (“Board” or “BOD”) of the Parent Company approved the subscription of the “Lucio L. Co Group” to the unissued authorized capital stock of the Parent Company from the proposed increase in the authorized capital stock of the Parent Company at a subscription price of P15 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74.8 billion worth of shares in Puregold Price Club, Inc. (“PPCI”), Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco, Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp., and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in these companies, under the terms and conditions to be determined by the Parent Company’s BOD.

On December 11, 2012, in a special meeting, the Parent Company’s shareholders approved the increase in the Parent Company’s authorized capital stock and increase in par value from P3 billion divided into 300 billion common shares with a par value of P0.01 per share to P10 billion divided into 10 billion common shares with a par value of P1 per share. Also, the Parent Company’s shareholders resolved to change the Parent Company’s corporate name from Alcorn Gold Resources Corporation to Cosco Capital, Inc. and to reorganize and spin-off its oil and mineral assets and operations into a wholly-owned subsidiary.

On April 22, 2013, the SEC approved the restructuring of the Parent Company’s authorized capital stock as well as the change of its corporate name. Further, the SEC confirmed the final number of subscribed shares of 4,987,406,421 at an aggregate revised subscription price of P74.8 billion which will be paid through assignment of shares (share swap). The transaction is exempt from the registration requirements of the Securities Regulation Code of the Philippines.

On May 31, 2013, pursuant to the SEC-approved increase of capital stock and share swap transaction, the Parent Company implemented the following: (a) issuance and listing of 4,987,406,421 new shares of the Parent Company; (b) cross trade at the PSE of PPCI shares to the Parent Company as consideration for the issuance of the new shares; (c) issuance to the subscribers, the Lucio L. Co Group, pursuant to the share swap; and (d) special block sale at the PSE of 1,600,000,000 of the new shares placed to Qualified Institutional Buyers transacted at PSE at P10.50 per share.

As a result of the above transaction, the companies mentioned above became subsidiaries of Cosco. The transaction was accounted for using the pooling of interest method. Accordingly, the Parent Company recognized the net assets of the acquired subsidiaries equivalent to their carrying values.

On January 16, 2019, PPCI made a top-up placement of 104.3 million common shares at a price of P45.00 per share. The shares were issued on March 5, 2019 with proceeds amounting to P4.6 billion. This resulted in a dilution of the Parent Company's ownership interest in PPCI from 51.02% to 49.16%. The Parent Company retains control over PPCI (see Note 2).

On February 22, 2021, the Board of Directors of Cosco Capital, Inc. approved the acquisition of controlling interest in The Keepers Holdings, Inc. ("TKHI"), formerly Da Vinci Capital Holdings, Inc. under a share swap arrangement. DAVIN shall issue 11.25 billion common shares of stock valued at P2 per share to Cosco. In exchange and as consideration thereof, Cosco shall assign 100% of its shares in the following subsidiaries in favor of TKHI:

- Montosco, Inc.; ("Montosco")
- Meritus Prime Distributions, Inc.("Meritus")
- Premier Wine and Spirits, Inc. ("Premier")

The shares will be issued from the increase in authorized capital stock of TKHI which was approved by the SEC on June 30, 2021.

On July 14, 2021, TKHI filed a Registration Statement ("RS") with the SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of the Offer Shares. On July 19, 2021, TKHI filed its application for the listing and trading of offer shares with the PSE. On September 20, 2021, TKHI filed an amended Registration Statement which was rendered effective by SEC on October 7, 2021. The Permit to Sell ("PTS") of TKHI's Offer Shares was issued by SEC on November 3, 2021.

On November 19, 2021, TKHI issued 3 million shares from the follow-on offering ("FOO") at P1.5 per share or P4.5 billion. The net proceeds, after deducting the transactions costs of P173 million amounted to P4.3 billion.

The share swap resulted in a dilution in Cosco's effective ownership interest in Montosco, Meritus and Premier acquired from 100% to 97.75% while the FOO resulted in the dilution of Cosco's ownership interest in TKHI to 77.54%.

The TKHI's principal office, which is also 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:

	Effective Percentage of Ownership			
	2021		2020	
	Direct	**Indirect**	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) and Subsidiaries	**49.18[(b)]**	**-**	49.16[(a)]	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	**-**	**49.18**	-	49.16
• S&R Pizza (Harbor Point), Inc.	**-**	**49.18**	-	49.16
• S&R Pizza, Inc.	**-**	**49.18**	-	49.16
▪ PPCI Subic, Inc. (PSI)	**-**	**49.18**	-	49.16
▪ Entenso Equities Incorporated (EEI)	**-**	**49.18**	-	49.16
▪ Purepadala, Inc.	**-**	**49.18**	-	49.16
Liquor Distribution				
The Keepers Holding Inc. (TKHI)	**77.54[(c)]**	**-**	-	-
Montosco, Inc.	**-**	**77.54**	100	-
Meritus Prime Distributions, Inc.	**-**	**77.54**	100	-
Premier Wine and Spirits, Inc.	**-**	**77.54**	100	-
Real Estate and Property Leasing				
Nation Realty, Inc.	**100**	**-**	100	-
Patagonia Holdings Corp.	**100**	**-**	100	-
Ellimac Prime Holdings, Inc. (EPHI)	**100**	**-**	100	-
Fertuna Holdings Corp.	**100**	**-**	100	-
Pure Petroleum Corp.	**100**	**-**	100	-
NE Pacific Shopping Centers Corporation (NPSCC)	**100**	**-**	100	-
Specialty Retail				
Office Warehouse, Inc. and a Subsidiary	**100**	**-**	100	-
▪ Office Warehouse (Harbor Point), Inc.	**-**	**100**	-	100
Canaria Holdings Corporation (CHC) and Subsidiaries [(b)]	**90**	**-**	90	-
Oil and Mining				
Alcorn Petroleum and Minerals Corporation (APMC)	**100**	**-**	100	-

[(a)] *PPCI’s top-up placement in 2019 resulted in the dilution of Cosco’s ownership interest which the equity holders of Cosco realized a gain on dilution amounting to P1.3 billion.*
[(b)] *PPCI acquisition of its own shares resulted in 2021 in the increase in Cosco’s ownership interest.*
[(c)] *The share swap with TKHI and FOO of THKI FOO in 2021 resulted in the dilution of Cosco’s ownership in TKHI, Montosco, Meritus and Premier which the equity holders of Cosco realized a net gain on dilution amounting to P1.6 billion.*

2. Basis of Preparation

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

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

Historical cost is used as the measurement basis except for:

Items	Measurement Bases
Financial assets at FVPL	Fair value
Financial assets at FVOCI (except for unquoted equity investments which are measured at cost)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

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 Control over Investee with Less Than 50% of Voting Rights
The Parent Company has determined that it has control over PPCI even though it has less than 50% of voting rights because of the dominance of its position in relation to the size and dispersion of the other vote holdings. As a result, the Parent Company has the power or ability to control the relevant activities of PPCI.

Determining the Term and Discount Rate of Lease Arrangements (Note 21)
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 buildings, stores, distribution centers and warehouses, 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 (Note 21)
The Group has entered into various lease agreements as a lessor to lease its investment properties and sublease portion of its stores to various lessees. The Group has determined that it 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 P0.8 billion, P1.1 billion and P1.5 billion in 2021, 2020 and 2019, respectively.

<u>Estimates</u>
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 (Note 5)
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.

As at December 31, 2021 and 2020, the carrying amount of receivables amounted to P4.7 billion and P10.3 billion while the allowance for impairment losses amounted to P89.3 million and P113.6 million, respectively.

Estimating Net Realizable Value (NRV) of Inventories (Note 6)
The Group carries 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 inventories amounted to P25.4 billion and P24.9 billion as at December 31, 2021 and 2020.

Impairment of Goodwill and Other Intangibles with Indefinite Lives (Note 13)
The Group determines whether goodwill, and other intangibles with indefinite 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 useful lives totaled P20.9 billion as at December 31, 2021 and 2020.

Impairment of Other Non-Financial Assets
The Group assesses impairment on other non-financial 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.

The impairment indicators affecting the Group's wells/platform under property and equipment and deferred oil and mineral exploration costs are lack of significant progress and final plug/abandonment of production wells as at December 31, 2021 and 2020. These resulted in impairment losses on property and equipment of P160 million in 2020 and deferred oil and mineral exploration costs of P128.1 million in 2019 (see Notes 11 and 14).

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

	Note	**2021**	2020
Property and equipment - net	*11*	**P29,818,280**	P28,683,979
Right-of-use assets - net	*21*	**24,406,913**	24,270,253
Investment properties - net	*12*	**11,487,812**	11,145,393
Investments in associates and joint ventures	*10*	**715,393**	729,910
Computer software and licenses, and leasehold rights	*13*	**204,737**	222,335

Estimating Realizability of Deferred Tax Assets (Note 27)
The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

As at December 31, 2021 and 2020, the Group recognized net deferred tax assets amounting to P882.8 million and P758.1 million, respectively.

Estimating Retirement Benefits Liability (Note 26)
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 26.

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

3. Summary of Significant Accounting Policies

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

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

- *COVID-19-Related Rent Concessions (Amendment to PFRS 16 Leases).* The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that area direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

  - the revised consideration is substantially the same or less than the original consideration;

  - the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - no other substantive changes have been made to the terms of the lease.

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

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

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

  The Group adopted these amendments and elected to apply the practical expedient to eligible rent concessions which resulted in the recognition of gain from rent concessions in profit loss amounting to P61.8 million in 2021 (See Note 21).

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

Effective January 1, 2022

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

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

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

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

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

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

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards:

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

- *Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments).* The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16 Leases).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive.

- Taxation in Fair Value Measurements (Amendment to PAS 41 Agriculture). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13 Fair Value Measurement.

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

▪ *Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations).* The amendments:

- updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

- added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

Effective January 1, 2023

▪ Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

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

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

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

- The effective date of the amendments will be deferred to no earlier than January 1, 2024. Comments on the Exposure Draft is due on March 21, 2022.

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

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

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

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

Consolidation

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

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to the equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

Business Combinations
The Group 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.

Common Control Business Combinations
Business combinations involving entities under common control are business combinations in which all of the entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02, *PFRS 3.2 Common Control Business Combinations.*

The purchase method of accounting is used, if the transaction was deemed to have commercial substance from the perspective of the reporting entity. In determining whether the business combination has commercial substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

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

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

- No 'new' goodwill is recognized as a result of the business combination. The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired company is considered as equity adjustment from business combinations, included under "Retained earnings" account in the equity section of the statements of financial position; and

- As a policy, no restatement of financial information in the Group's consolidated financial statements for periods prior to the transaction is made.

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.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Financial Instruments

Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents, receivables, due from related parties and security deposits are included in this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

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 equity securities are included in this category.

The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at December 31, 2021 and 2020.

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

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

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

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

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

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

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as “Unrealized valuation 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 equity securities and government securities are included under this category (see Note 10).

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 customers' deposits 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.

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

<u>Fair Value Measurements</u>
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.

Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories include merchandise inventories, liquors, wines and spirits. Costs incurred in bringing each inventory to its present location and condition are accounted as follows:

Merchandise inventories	-	Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using moving average method
Liquors, wines and spirits.	-	Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using first-in, first-out method

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

Investment in Joint Arrangements and Associates

Investment 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.

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.

Under the equity method, investment 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.

Property and Equipment

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

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

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

	Number of Years
Buildings	15 - 30
Furniture and fixtures	2 - 20
Office and store equipment	2 - 15
Transportation equipment	3 - 5

Wells, platforms and other facilities comprising oil and gas property represents the Group's share in the Service Contract (SC) 14's total capitalized exploration and development expenditures. These are depreciated using the unit-of-production method based upon estimates of proven developed reserves. Proven developed reserves are the portion of reserves that are reasonably certain to be produced and sold during the remaining period of existing production licenses and agreements. The effect of revisions of previous estimates of proved developed reserves is taken up prospectively in the unit-of-production calculation. Estimates of decommissioning and abandonment costs, which are accrued based on unit-of-production rate, which depends on approved budget and reserve estimates, are also included in the wells, platforms and other facilities account as these costs are treated as recoverable costs to be deducted from oil sales proceeds prior to remittance of government share as indicated in the agreement among Consortium members under the SC.

Leasehold improvements are amortized over 3 to 20 years or the lease term, whichever is shorter.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Investment Properties

Investment properties consist of land and buildings held to earn rentals. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the costs of replacing part of an existing investment property at the time the costs are incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing an investment property. Investment properties, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is stated at cost less any accumulated impairment in value.

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

	Number of Years
Land improvements	25
Buildings	10 - 50

The remaining useful lives and depreciation method are reviewed periodically to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from buildings and land improvements.

Buildings in progress which represents properties under construction are stated at cost and depreciated only from such time as the relevant assets are completed and put into operational use. Upon completion, these properties are classified to the relevant investment property or property and equipment account.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to earn rentals.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of, or when investment properties are permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Construction in Progress

Construction in progress, which are stated at cost, are properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, which are carried at cost less any recognized impairment loss. This includes the costs of construction and other direct costs. These assets are not depreciated until such time that the relevant assets are completed and available for use.

Assets Held for Sale

Noncurrent assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be primarily through sale rather through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, any equity-accounted investee is no longer equity accounted.

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 10 to 15 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.

Similarly, the Group reviews annually whether there is an indication that recognized impairment losses no longer exists or decreased. A reversal of an impairment loss is recognized immediately as a credit to the Group's profit or loss.

Deferred Oil and Mineral Exploration Costs
Deferred oil and exploration costs are accounted for using the full-cost method, where all acquisition, exploration and development costs are capitalized as deferred costs when incurred and on the basis of each contract area. Where oil and gas of commercial quantity is produced, the exploration and development costs are reclassified to and capitalized as wells, platforms and other facilities under the "Property and equipment" account. Producing and non-producing contract areas are evaluated periodically and considering a number of factors, a determination is made whether it is probable that a significant impairment of the carrying cost of deferred oil and mineral exploration costs of each contract area has occurred. If impairment is believed to have occurred, a further analysis is performed to determine the impairment to be recorded for specific contract areas.

If the Group abandons all exploration efforts in a contract area where there are no proven reserves, all acquisition and exploration costs associated with the contract area are recognized in profit or loss. A contract area is considered abandoned if the contract has expired and/or there are no definite plans for further exploration and development.

Proceeds from the sale of crude oil lifted from an area under production testing during the exploration stage are applied against deferred oil exploration costs.

Expenditures for mineral exploration and development work are capitalized as deferred costs when incurred. These expenditures are provided for with an allowance for when there are indications that the exploration results are negative. These are recognized in profit or loss when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the exploration costs and subsequent development costs are capitalized and amortized using the unit of production method from the start of commercial operations.

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.

<u>Equity</u>
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 all current and prior period results as reported in profit or loss, prior period adjustments less declaration of dividends.

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.

<u>Other Comprehensive Income</u>
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.

<u>Revenue Recognition</u>
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 and other rental 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 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.

PIC Q&A 2018-12-H Accounting for Common Usage Service Area (CUSA) Charges
The interpretation issued by the Philippine Interpretations Committee (PIC) serves as a guidance on some implementation issues brought about by adoption of PFRS 15, *Revenue from Contracts with Customer's* on the real estate industry.

The interpretation is approved on February 14, 2018, with an option to defer the application of the provisions for a period of three (3) years. The Group adopted this interpretation starting January 1, 2019

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.

<u>Cost and Expense Recognition</u>
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 expenses 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.

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 profit 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 asset 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 profit will allow the deferred tax asset 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 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 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.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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:

(In thousands)	***Note***	**2021**	2020
Cash on hand		**P574,227**	P782,702
Cash in banks	*31*	**23,962,535**	23,942,183
Money market placements	*31*	**39,323,445**	24,142,861
		P63,860,207	P48,867,746

Cash in banks earns interest at the respective bank deposit rates.

Money market placements are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing money market placement rates ranging from 0.3% to 3.1% in 2021 0.8% to 3.4% in 2020, and 2.7% to 4.8% in 2019.

Interest income earned from cash in banks and money market placements amounted to P493.8 million, P696.1 million and P495.8 million in 2021, 2020 and 2019, respectively.

5. Receivables

This account consists of:

(In thousands)	***Note***	**2021**	2020
Trade receivables		**P3,163,118**	P3,020,514
Non-trade receivables		**879,481**	1,187,140
Interest receivable	*25*	**621,488**	579,281
Loans receivable	*25*	**-**	5,524,543
Others		**160,966**	110,339
		4,825,053	10,421,817
Less allowance for impairment losses on trade receivables		**89,269**	113,636
	31, 32	**P4,735,784**	P10,308,181

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

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

The movements in the allowance for impairment losses in respect of trade receivables are as follows:

(In thousands)	***Note***	**2021**	2020
Beginning balance		**P113,636**	P48,947
Provisions during the year	*23*	**39,736**	64,689
Reversal		**(64,103)**	-
Ending balance		**P89,269**	P113,636

6. Inventories

This account consists of:

(In thousands)	***Note***	**2021**	2020
At cost:			
Merchandise inventories		**P21,871,658**	P21,254,936
Liquors, wines and spirits		**3,519,298**	3,659,336
	20	**P25,390,956**	P24,914,272

Inventory charged to cost of goods sold amounted to P140.2 billion, P144.4 billion and P135.5 billion in 2021, 2020 and 2019, respectively (see Note 20).

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Note	**2021**	2020
Held-for-trading:	*31*		
Equity securities		**P30,726**	P27,513
Government securities		**-**	2,383,862
		P30,726	P2,411,375

The movements in these securities are as follows:

(In thousands)	***Note***	**2021**	2020
Cost		**P2,399,217**	P15,356
Addition		**-**	7,883,861
Disposal		**(2,383,860)**	(5,500,000)
		15,357	2,399,217
Valuation Adjustments			
Balance at beginning of year		**12,158**	19,565
Unrealized valuation loss for the year		**3,211**	(7,407)
Balance at end of year		**15,371**	12,158
	31	**P30,726**	P2,411,375

The Group recognized a gain (loss) on sale of government securities amounting to (P5.3) million, P36.2 million and nil in 2021, 2020 and 2019, respectively. Interest income on government securities amounted to P15.6 million, P2.5 million and nil in 2021, 2020 and 2019, respectively.

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

(In thousands)	***Note***	**2021**	2020
Investment in common shares			
Quoted	*31, 32*	**P5,713**	P7,294
Unquoted	*31, 32*	**2,304**	2,304
		8,017	9,598
Investment in preferred shares	*31, 32*	**7,262**	7,262
		15,279	16,860
Less current portion		**6,784**	8,365
Non-current portion		**P8,495**	P8,495

The quoted shares are designated as FVOCI.

The unquoted shares represent investment in a private domestic company and club membership shares.

Investment in preferred shares pertain to Manila Electric Company which were acquired in connection with the installation of electrical systems for the various stores and offices of the retail segment.

The movements in this account are as follows:

(In thousands)	**2021**	2020
Balance at beginning of year	**P16,860**	P17,704
Unrealized fair value gains (losses)	**(1,581)**	(844)
Balance at end of year	**P15,279**	P16,860

The movements in the cumulative unrealized fair value gain are as follows:

(In thousands)	**2021**	2020
Balance at beginning of year	**P4,758**	P5,602
Unrealized fair value gain (loss) during the year	**(1,581)**	(844)
Balance at end of year	**P3,177**	P4,758

9. Prepaid Expenses and Other Current Assets

This account consists of:

(In thousands)	**2021**	2020
Prepaid expenses	**P940,610**	P910,430
Deferred input VAT - current	**398,466**	351,608
Input VAT	**170,274**	107,686
Advances to suppliers	**102,657**	72,688
Creditable withholding tax	**20,752**	5,931
Others	**15,340**	2,650
	P1,648,099	P1,450,993

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.

Advances to suppliers pertain to partial down payments made by the liquor distribution segment to foreign suppliers.

Prepaid expenses pertain mainly to the unamortized portion of premiums for insurance coverage and registration fees and other taxes paid to the Government, and advance payments for advertisements and promotions.

(In thousands)	**2021**	2020
Taxes and licenses	**P640,341**	P745,665
Insurance	**142,336**	86,507
Advertising and promotion	**67,442**	11,096
Supplies	**43,119**	33,740
Repairs and maintenance	**4,313**	3,753
Rent	**59**	102
Others	**43,000**	29,567
	P940,610	P910,430

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

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

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

10. Investment in Associates and Joint Venture

This account consists of:

(In thousands)	**2021**	2020
Associates	**P539,997**	P554,514
Joint venture	**175,396**	175,396
	P715,393	P729,910

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of ownership interest are shown below:

	Percentage of Ownership		Carrying Amount	
(In thousands)	**2021**	2020	**2021**	2020
Associates:				
San Roque Supermarkets Retail Systems, Inc. ("SRS")	**49**	49	**P461,153**	P461,153
Pernord Ricard Philippines, Inc. ("PERNOD")	**30**	30	**78,844**	93,361
			539,997	554,514
Joint venture:				
AyaGold Retailers, Inc. ("AyaGold")	**50**	50	**175,396**	175,396
			P715,393	P729,910

All associates and joint ventures are incorporated in the Philippines.

Investments in Associates

SRS

In 2013, the Group through Entenso acquired 49.34% equity interest in SRS, a local entity that operates the chain of "San Roque Supermarket" stores and "San Roque Pharmacy" stores in Metro Manila and nearby areas. Its principal address is located at 68 Dumalay St., Quirino Highway, Novaliches, Quezon City, 1117.

PERNOD

The Group entered into a Shareholder's Agreement and Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of shares of Pernord Ricard Philippines, Inc. ("PERNOD") for Euro2.1 million in February 2019.

The changes in the carrying amounts of are as follows:

	SRS		PERNOD	
(In thousands)	**2021**	2020	**2021**	2020
Balance at beginning of year	**P461,153**	P447,586	**P93,360**	P118,193
Acquisition	**-**	-	**-**	-
Other adjustments	**-**	4,047	**(537)**	-
Share in net income (loss)	**-***	9,520	**(13,979)**	(24,833)
Balance at end of year	**P461,153**	P461,153	**P78,844**	P93,360

**See footnote below.*

The information presented below summarizes the financial information of SRS and Pernod and shows the reconciliation of the Group's share in net assets of such investees to the carrying amounts of its investments.

	SRS		Pernod	
(In thousands)	**2021**	2020	**2021**	2020
Percentage of ownership	**49.34%**	49.34%	**30%**	30%
Current assets	**P824,253**	P4,892,032	**P541,610**	P592,719
Noncurrent assets	**773,701**	811,536	**166,860**	186,311
Current liabilities	**(643,648)**	(871,930)	**(469,888)**	(480,426)
Noncurrent liabilities	**(615,855)**	(4,456,496)	**(22,191)**	(32,305)
Net assets	**338,451**	375,142	**216,391**	266,299
Group's share in net assets	**166,992**	185,095	**64,917**	79,890
Goodwill	**276,058**	276,058	**13,471**	13,470
Unrecognized share in net loss	**5,307**	-	**-**	-
Others*	**12,795**	-	**-**	-
Carrying amount of interest in associates	**P461,152**	P461,153	**P78,388**	P93,360
Net sales	**P4,655,176**	P5,854,702	**P632,899**	P585,611
Net income (loss)	**(10,757)**	19,295	**(49,908)**	(82,776)
Group's share in net income (loss)	**(P5,307)****	P9,520	**(P14,973)**	(P24,833)

**Unrecognized prior period adjustments based on unaudited amounts*
***Unrecognized share in loss based on unaudited amounts*

<u>Investment in Joint Ventures</u>
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:

(In thousands)	**2021**	2020
Balance at beginning of year	**P176,446**	P175,396
Share in net income*	**-**	1,050
Balance at end of year	**P176,446**	P176,446

**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:

(In thousands)	**2021**	2020
Percentage of ownership	**50%**	50%
Current assets	**P253,420**	P295,592
Noncurrent assets	**458,232**	455,987
Total liabilities	**(512,283)**	(398,688)
Net assets	**199,369**	352,891
Group's share in net assets	**99,684**	176,446
Unrecognized share in net loss (gain)**	**9,872**	(1,050)
Others*	**65,840**	-
Carrying amount of interest in joint venture	**P175,396**	P175,396
Net sales	**P537,759**	P697,594
Net income	**(19,743)**	2,100
Group's share in net income (loss)	**(P9,872)**	P1,050

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

11. Property and Equipment

The movements and balances of this account as at and for the years ended December 31 consist of:

(In thousands)	Land	Buildings	Storage Tanks	Furniture and Fixtures	Office and Store Equipment	Transportation Equipment	Leasehold Improvements	Wells, Platforms and Other Facilities	Construction in-progress	Total
Cost										
December 31, 2019	P3,905,277	P9,859,490	P509,353	P3,368,978	P10,063,468	P273,354	P12,855,926	P204,955	P1,422,594	P42,463,395
Additions	562,236	131,527	4,546	217,903	759,336	24,397	973,022	-	775,883	3,448,850
Reclassifications	-	55,819	(15)	15,426	180,188	(1,696)	606,632	-	(858,895)	(2,541)
Disposals	-	(849)	-	(810)	(18,481)	(1,179)	(139,246)	-	-	(160,565)
December 31, 2020	4,467,513	10,045,987	513,884	3,601,497	10,984,511	294,876	14,296,334	204,955	1,339,582	45,749,139
Additions	445,542	156,913	3,964	204,057	845,792	26,568	851,670	-	1,344,729	3,879,235
Reclassifications		71,329	-	39,068	563,264	(1,901)	1,290,289	-	(1,963,975)	(1,926)
Transfer from investment properties	1,999,844	-	-	-	-	-	-	-	-	1,999,844
Disposals	(684)	(8,050)	-	(11,994)	(59,582)	(17,573)	(31,601)	-	-	(129,484)
December 31, 2021	**6,912,215**	**10,266,179**	**517,848**	**3,832,628**	**12,333,985**	**301,970**	**16,406,692**	**204,955**	**720,336**	**51,496,808**
Accumulated Depreciation and Amortization										
December 31, 2019	-	2,500,015	65,681	1,819,523	6,808,357	224,501	3,072,447	44,918	-	14,535,442
Depreciation and amortization	-	285,296	13,147	279,788	1,159,645	15,759	814,481	-	-	2,568,116
Disposals	-	(473)	-	(813)	(17,452)	(630)	(179,067)	-	-	(198,435)
Reclassifications	-	213	-	-	-	-	(213)	-	-	-
December 31, 2020	-	2,785,051	78,828	2,098,498	7,950,550	239,630	3,707,648	44,918	-	16,905,123
Depreciation and amortization	-	293,529	11,063	283,688	1,156,229	22,988	947,741	-	-	2,715,238
Disposals	-	(1,879)	-	(8,914)	(56,237)	(15,827)	(18,833)	-	-	(101,690)
Reclassifications	-	5,249	-	(765)	184		(4,692)	-	-	(24)
December 31, 2021	**-**	**3,081,950**	**89,891**	**2,372,507**	**9,050,726**	**246,791**	**4,631,864**	**44,918**	**-**	**19,518,647**
Allowance for Impairment Loss	-	-	-	-	-	-	-	160,037	-	160,037
Carrying Amounts										
December 31, 2020	P4,467,513	P7,260,936	P435,056	P1,502,999	P3,033,961	P55,246	P10,588,686	P -	P1,339,582	P28,683,979
December 31, 2021	**P6,912,215**	**P7,184,229**	**P427,957**	**P1,460,121**	**P3,283,259**	**P55,179**	**P11,774,828**	**P -**	**P720,336**	**P31,818,124**

Interest expense on loans capitalized as part of property and equipment amounted to P17.0 million, P2.9 million and P12.0 million in 2021, 2020 and 2019, respectively (see Note 17).

The Group recognized an impairment loss on platforms/wells related to the oil and mineral projects that have no significant progress to date amounting to P160 million in 2020.

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P5.6 billion and P5.7 billion as at December 31, 2021 and 2020, respectively.

12. Investment Properties

This account consists of:

(In thousands)	**Land**	**Building**	**Construction in-Progress**	**Total**
Cost				
December 31, 2019	P6,622,216	P5,575,968	P119,265	P12,317,449
Additions	-	198,153	14,926	213,079
Reclassifications	(61,572)	1,278	(15,331)	(75,625)
December 31, 2020	6,560,644	5,775,399	118,860	12,454,903
Additions	264,723	89,892	112,932	467,547
Reclassifications	-	-	(143)	(143)
Transfer to property and equipment	(1,999,844)	-	-	(1,999,844)
December 31, 2021	**4,825,523**	**5,865,291**	**231,649**	**10,922,463**
Accumulated Depreciation				
December 31, 2019	-	1,191,451	-	1,191,451
Depreciation	-	118,059	-	118,059
December 31, 2020	-	1,309,510	-	1,309,510
Depreciation	-	124,985	-	124,985
December 31, 2021	**-**	**1,434,495**	**-**	**1,434,495**
Carrying Amounts				
December 31, 2020	P6,560,644	P4,465,889	P118,860	P11,145,393
December 31, 2021	**P4,825,523**	**P4,430,796**	**P231,649**	**P9,487,968**

Depreciation expense are charged to cost of rent (see Note 20). Reclassifications pertain to cost of investment properties that are transferred to property and equipment during the consolidation process. Total reclassifications amounted to P0.14 million and P75.6 million in 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the fair value of the investment properties amounted to P38.0 billion based on independent appraisals obtained in 2019. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively, which is categorized as Level 3 under the fair value hierarchy.

The rental income earned by the real estate and property leasing segment of the Group from these properties amounted to P0.8 billion, P1.1 billion and P1.5 billion in 2021, 2020 and 2019, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P621.4 million, P610.9 billion and P660.8 million in 2021, 2020, and 2019, respectively (see Note 20).

13. Goodwill and Other Intangibles

This account consists of:

(In thousands)	**2021**	2020
Goodwill	**P16,253,526**	P16,253,526
Trademark	**3,709,661**	3,709,661
Customer relationships	**889,453**	889,453
Computer software and licenses - net	**159,572**	174,989
Leasehold rights - net	**45,166**	47,346
	P21,057,378	P21,074,975

Goodwill

Goodwill acquired in business combinations represents the excess of the purchase price over the fair value of net identifiable assets of acquired entities which represent the separate CGUs expected to benefit from that business combination. The details are as follows:

(In thousands)	**2021**	2020
Retail		
Kareila	**P12,079,474**	P12,079,474
Budgetlane Supermarkets	**837,974**	837,974
Gant	**742,341**	742,341
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	**685,904**	685,904
Company E	**358,152**	358,152
Black & White (B&W) Supermart	**187,204**	187,204
Puregold Junior Supermarket, Inc. (PJSI)	**11,374**	11,374
Specialty Retail		
OWI	**893,790**	893,790
CHC	**9**	9
Real Estate and Property Leasing		
NPSCC	**457,304**	457,304
	P16,253,526	P16,253,526

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

CGUs to which goodwill and trademarks have been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The carrying values of the CGUs tested for impairment include their right-of-use assets and associated lease liabilities. Cash flow projections used in determining recoverable amounts include the lease payments in both the explicit forecast period and in terminal value. The recoverable amounts for the CGUs have been determined based on value in use.

VIU
Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 5.9% to 8.0% in 2020 and 9.1% to 12.2% 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 1.3% and 6.0% for the CGUs. The average operating margins applied in the projected periods ranged between 1.3% and 14.8% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.6% and 2.9% for the CGUs.

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

	Pre-tax Discount Rate		**Growth Rate (Terminal Value)**	
	2021	2020	**2021**	2020
Kareila	**6.6%**	5.9%	**3.6%**	2.6%
Budgetlane Supermarkets	**6.6%**	7.0%	**3.6%**	2.6%
Gant	**6.6%**	7.3%	**3.6%**	2.6%
DCI and FLSTCI	**6.6%**	7.1%	**3.6%**	2.6%
OWI	**8.9%**	8.0%	**3.0%**	2.6%
NPSCC	**9.3%**	5.1%	**3.0%**	2.6%

As at December 31, 2021, management assessed that a reasonably possible change in key assumptions of B&W Supermart and NPSCC would result in the headroom being reduced to nil if either of the following change occurs:

	B&W Supermart	**NPSCC**
Increase in discount rate	**0.3%**	**4.0%**
Decrease in revenue growth rate	**1.0%**	**1.0%**

Computer Software and Licenses
The movements in computer software and licenses are as follows:

(In thousands)	**2021**	2020
Cost		
Balance at January 1	**P453,812**	P425,134
Additions	**32,666**	28,678
Adjustments	**(1,046)**	-
Balance at December 31	**485,432**	453,812
Accumulated Amortization		
Balance at January 1	**278,823**	239,172
Amortization	**47,691**	39,651
Adjustment	**(654)**	-
Balance at December 31	**325,860**	278,823
Carrying Amount at December 31	**P159,572**	P174,989

Leasehold Rights
The movements in leasehold rights are as follows:

	2021	2020
Cost	**P75,355**	P75,355
Accumulated Amortization		
Balance at January 1	**28,009**	24,241
Amortization	**2,180**	3,768
Balance at December 31	**30,189**	28,009
Carrying Amount at December 31	**P45,166**	P47,346

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.

Amortization of computer software licenses and leasehold rights are both charged under cost of revenue.

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

(In thousands)	***Note***	**Participating Interest**	**2021**	2020
I. Oil Exploration Costs:				
SC 14	*a*			
Block C2 (West Linapacan)		6.12%	**P56,044**	P55,753
Block D		5.84%	**8,113**	8,113
Block B1 (North Matinloc)		13.55%	**4,192**	4,192
			68,349	68,058
SC 6A	*b*	1.67%		
Octon Block			**17,596**	17,415
North Block			**600**	627
SC 6B (Bonita)	*c*	8.18%	**8,027**	8,027
			26,223	26,069
SC 51	*d*		**32,817**	32,817
Other oil projects			**527**	527
			33,344	33,344
			127,916	127,471
Allowance for impairment loss			**(127,471)**	(127,471)
Balance at end of year			**445**	-
II. Mineral Exploration Costs:				
Nickel project		100.00%	**19,208**	19,208
Anoling gold project		3.00%	**13,817**	13,817
Gold projects		100.00%	**13,036**	13,036
Cement project		100.00%	**15,312**	9,603
Other mineral projects			**382**	382
			61,755	56,046
Accumulated for impairment losses			**(56,046)**	(56,046)
Balance at end of year			**5,709**	-
III. Other Deferred Charges			**619**	619
Allowance for impairment loss			**(619)**	(619)
Balance at year end			**-**	-
			P6,154	P -

On July 2, 2015, the Department of Energy (DOE) approved the transfer of all participating interest of the Parent Company in its various petroleum service contracts in the Philippines to APMC. APMC hereby assumes the responsibility and work commitments on the service contracts.

All deferred oil and mineral exploration costs are classified as intangible assets on the basis that these costs are recognized in respect of licenses and surveys. These costs were incurred in developing an intangible asset. Oil and mineral explorations are governed by permits issued by the Philippine Government either through DOE under SC or by DENR under Exploration Permit (EP) or MPSA.

As at December 31, 2020 and 2019, management assessed that the deferred oil and mineral exploration costs are impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects. Accordingly, the Group recognized a full impairment loss of P128.1 million in 2020 and 2019.

a. SC 14 C2 - West Linapacan

In 2019, Philodrill is in the early stages of negotiation with a UK-based firm which intends to acquire interests in the SC14 C2-West Linapacan Block. The area is part of the ongoing seismic reprocessing and Quantitative Interpretation (QI) works over contiguous areas in SC 14 C2 and SC 74 that cover the West Linapacan and Linapacan discoveries. The Joint Quantitative Interpretation (QI) study on the Linapacan (SC 74) and West Linapacan (SC 14 C2) was officially commenced on the 4th week of April 2019, with IKON Science as the selected service provider. The project involves joint QI work on a 400 sq km reprocessed PSDM seismic data volume covering the West Linapacan A and B in SC 14 and the Linapacan A and B SC 74. As of end-June 2019, the Phase 1a of the study has been completed and the 2 Joint Venture consortia are now discussing on proceeding to the next phase of the Joint QI work which will involve trial inversion work on 30 sq km data volume of contiguous areas.

Meanwhile, Philodrill implemented the final plug and abandonment (P&A) of nine production wells in the Nido, Matinloc and North Matinloc fields immediately after these fields finally ceased production in early 2019. Using the workboat MV ENA Habitat, Philodrill successfully completed P&A works on seven wells (Matinloc-1,-2,-3, Nido B-1, -2, -3, and North Matinloc-2) from March 30 to May 21, 2019. The completion of the P&A of the remaining wells (Nido A-1 and A-2) was deferred for a separate campaign in April 2020.

During 2020, the SC 14C2 JV entered into a Sale-Purchase Agreement (SPA) and a Farm-out Agreement (FOA) with an Independent Oil & Gas Production, Development and Exploration Company (IOGPDE) that would take over the operatorship of the SC. Following the execution of the SPA & FOA, the JV agreed that the proposed redevelopment strategy by the eventual operator will be adopted and submitted to the DOE during the process of securing the DOE approval for the Deeds of Assignment (DOAs) arising out of the SPA and FOA.

The finalization and execution of DOAs, however, has been greatly delayed by the COVID 19 situation and the Community Quarantines' restrictions since mid-March 2020.

To comply with the commitments under the SC, the proposed 2020 Work Program and Budget (WP&B) covering the period November 2020 to March 2021 was submitted for approval. The proposed work activity will complement the subsequent redevelopment effort for the West Linapacan Field.

In 2021 and 2020, additional deferred charges amounting to P0.03 million and nil were capitalized.

b. SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines
The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data. As at December 31, 2019, the Group has participating interest of 1.67%.

The impending expiry of SC 6A-Octon Block was finally resolved in a DOE letter on June 18, 2009. The letter informed the Operator, Philodrill,(PLL) of the 15-year contract extension of the SC Octon Block subject to some terms and conditions.

On December 8, 2011, the DOE approved the transfer of Filipino Consortium's 70% undivided interest to PLL. DOE has also approved the appointment of PLL as the Operator in accordance with the Deed of Assignment and Assumption dated July 1, 2011.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing and interpretation of 500 square kilometers of 3D data area in Octon. The Group for its part will be carried free up to the drilling of the two exploration wells on the block.

In 2013, the 3D seismic acquisition has been completed and the data is now in Vietnam for data processing and interpretation. Oil reserves have already been determined and would be further refined and fine-tuned by the complete seismic acquisition.

In 2021 and 2020, additional deferred charges amounting to P0.015 million and nil were capitalized.

The Seismic Inversion and Reservoir Characterization project in the north block of SC 6A was completed in mid-December 2020. The stochastic inversion, used to characterize the thinly bedded sands of the GCU, generated promising results and highlighted potential areas of key interest in the vicinity of the Malajon-1 well. Zones exhibiting a high probability of pay were identified within the GCU and are considered plausible locations for well drilling.

c. SC 6B (Bonita) - Offshore Nortwest Palawan, Philippines
In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

During 2020, Manta Oil Corporation (MOC), operator of the SC, completed a comprehensive technical subsurface review using the 2016 PSTM reprocessed 3D seismic data. The recent subsurface mapping work on the Cadlao structure resulted in an improved P50 STOIIP, with an increase of 15% from previous volumetric.

As at December 31, 2021 and 2020, there were no further developments on the said project.

d. MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte

The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

On March 4, 2003, the DENR granted the Parent Company's application for a 2-year exploration period in its Cement Leyte Project which ended on March 14, 2005.

On September 9, 2011, the Parent Company received the approval for the second extension of the MPSA Exploration. The approved exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

The Parent Company, as part of new requirements, is required to conduct a new round of Information, Education and Communication (IEC) before implementing the exploration surveys. The Parent Company has also committed to participate in the National Greening Program initiated by the President.

For the first half of 2012, the Parent Company continued in preparation to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the 2-year extension of the MPSA exploration period.

In 2016, the Group paid occupation amounting to P0.5 million for the project.

On May 20, 2020, exploration permit for the project was for the two-year exploration period was granted, subject to the compliance of conditions set forth.

Currently, the Group is in the process of fulfilling its obligations in relation to the renewed exploration permit.

For the years ended December 31, 2021, 2020 and 2019, the Group paid occupation fee amounting to P0.01 million P0.2 million and P0.1 million respectively. For the year ended December 31, 2021, the Group paid the amount of P0.6 million for mapping activities.

15. Other Noncurrent Assets

This account consists of:

(In thousands)	***Note***	**2021**	2020
Security deposits	*31, 32*	**P2,299,378**	P2,260,918
Accrued rent income		**627,803**	448,902
Advances to contractors		**375,610**	359,696
Deferred input VAT - net of current portion		**141,295**	151,777
Prepaid rent		**3,298**	3,230
Others		**36,776**	12,288
		P3,484,160	P3,236,811

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 and buildings.

Accrued rent income pertains to excess of rent income determined using the straight-line basis for financial reporting purposes over the rent income pursuant to terms of lease agreement.

16. Accounts Payable and Accrued Expenses

This account consists of:

(In thousands)	***Note***	**2021**	2020
Trade payables		**P10,843,562**	P9,908,286
Non-trade payables		**1,933,265**	1,973,851
Dividends payable	*28*	**1,632,976**	2,180,396
Due to government agencies		**615,615**	732,779
Retention payable		**5,029**	231,027
Construction bonds		**22,191**	23,048
Advance rentals		**20,850**	16,824
Accrued expenses:			
Manpower agency services		**864,688**	1,043,534
Utilities		**299,806**	243,262
Rent		**99,043**	86,118
Others		**535,361**	227,897
		P16,872,386	P16,667,022

Trade payables generally on a 30-to-60-day payment terms.

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

17. Loans Payable

As at December 31, 2021 and 2020, the Group has the following outstanding loans:

a. Short-term Loans

Details of short-term loans follow:

(In thousands)	**2021**	2020
Balance at beginning of year	**P42,000**	P871,124
Repayments	**48,000**	(829,124)
Availments	**(42,000)**	-
Balance at end of year	**P48,000**	P42,000

The balances of peso-denominated short-term loans of each segment as at December 31 follow *(in thousands)*:

Segment	Purpose(s)	Interests	**2021**	2020
Liquor distribution	a. Inventory financing	3.57% to 5.63%	**P48,000**	P42,000

b. <u>Long-term Loans</u>

The balance of long-term loans of the Group as follow:

(In thousands)	**2021**	2020
Fixed-rate peso-denominated		
PPCI	**P11,880,000**	P12,000,000
COSCO	**-**	4,700,000
	11,880,000	16,700,000
Unamortized debt issuance costs	**(109,542)**	(130,300)
	11,770,458	16,569,700
Less noncurrent portion	**120,000**	3,886,957
	P11,650,458	P12,682,743

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

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

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

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

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

On May 2, 2018, the maturity for the outstanding balance of P400.0 million was renewed for 7 years at 6.4% interest rate per annum. The entire loan was paid on May 12, 2020.

c. *Cosco*
On May 6, 2014, Cosco signed and executed a P5.0 billion corporate financing facility. The proceeds were used to finance the Group's strategic acquisition plans and/or for other general corporate requirements. Subsequently, Cosco issued the following:

- 7-year, unsecured, peso-denominated loan with a consortium of six (6) local banks for P4.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the sixth anniversary; and 94.0% of the principal amount on maturity date.

- 10-year, unsecured, peso-denominated loan with a consortium of two (2) local banks for P1.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the ninth anniversary; and 91.0% of the principal amount on maturity date.

These loan agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on guarantees, and payments of dividends. Cosco is compliant with the loan covenants as at December 31, 2021 and 2020.

Total interest expense charged to profit or loss amounted to P697.4 million, P439.9 million and P403.0 million in 2021, 2020 and 2019, respectively.

Interest expense on loans capitalized as part of property and equipment amounted to P17.0 million, P2.9 million and P12.0 million in 2021, 2020 and 2019, respectively (see Note 11).

The movements in debt issuance costs are as follows

	2021	2020
Balance at beginning of the year	**P130,300**	P11,738
Additions	**-**	129,000
Amortizations	**(20,758)**	(10,438)
Balance at end of the year	**P109,542**	P130,300

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 16 and 28)	**Lease Liabilities** (Note 21)	**Total**
Balance at January 1, 2021	**P42,000**	**P16,569,700**	**P2,180,396**	**P -**	**P18,792,096**
Changes from financing cash flows:					**-**
Payment of loans	**(42,000)**	**(4,820,000)**	**-**	**-**	**(4,862,000)**
Availment of loans	**48,000**	**-**	**-**	**-**	**48,000**
Payment of debt issuance cost	**-**	**-**	**-**	**-**	**-**
Lease payments	**-**	**-**	**-**	**(3,275,952)**	**(3,275,952)**
Payment of dividends	**-**	**-**	**(2,180,396)**		**(2,180,396)**
Total changes from financing cash flows	**6,000**	**(4,820,000)**	**(2,180,396)**	**(3,275,952)**	**(10,270,348)**
Other Changes					
Liability-related					
Additions	**-**	**-**	**-**	**-**	**-**
Amortization of debt issuance cost	**-**	**20,758**	**-**	**-**	**20,758**
Other lease adjustments	**-**	**-**	**-**	**(785,124)**	**(785,124)**
Declaration of dividends	**-**	**-**	**1,632,976**	**-**	**1,632,976**
Total liability-related changes	**-**	**20,758**	**1,632,976**	**(785,124)**	**868,610**
Balance at December 31, 2021	**P48,000**	**P11,770,458**	**P1,632,976**	**(P4,061,076)**	**P9,390,358**

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 16 and 28)	Lease Liabilities (Note 21)	Total
Balance at January 1, 2020	P871,124	P5,138,262	P1,356,031	P26,668,941	P34,034,358
Changes from financing cash flows:					
Payment of loans	(829,124)	(450,000)	-	-	(1,279,124)
Availment of loans	-	12,000,000	-	-	12,000,000
Payment of debt issuance cost	-	(129,000)	-	-	(129,000)
Lease payments	-	-	-	(540,950)	(540,950)
Payment of dividends	-	-	(1,356,031)	-	(1,356,031)
Total changes from financing cash flows	(829,124)	11,421,000	(1,356,031)	(540,950)	8,694,895
Other Changes					
Liability-related					
Additions	-	-	-	2,693,706	2,693,706
Amortization of debt issuance cost	-	10,438	-	-	10,438
Other lease adjustments	-	-	-	1,362,673	1,362,673
Declaration of dividends	-	-	2,180,396	-	2,180,396
Total liability-related changes	-	10,438	2,180,396	4,056,379	6,247,213
Balance at December 31, 2020	P42,000	P16,569,700	P2,180,396	P30,184,370	P48,976,466

18. Other Current Liabilities

This account as at December 31 consists of:

(In thousands)	***Note***	**2021**	2020
Customers' deposits	*21, 31, 32*	**P354,402**	P365,754
Unredeemed gift certificates		**204,842**	210,388
Output VAT		**192,310**	63,874
Promotional discount		**10,024**	9,152
Others	*31, 32*	**15,289**	13,281
		P776,867	P662,449

Customers' deposits consist of payments from the lessees that are refundable at the end of the lease term. These are intended to answer for any unpaid obligations of the lessee to the Group including damages to the leased properties.

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

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2021 and 2020. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the rollforward of contract liabilities:

(In thousands)	**2021**	2020
Beginning balance	**P210,388**	P157,477
Add receipts	**578,632**	724,624
Less sales recognized	**(584,178)**	(671,713)
Ending balance	**P204,842**	P210,388

19. Revenues

The revenue from contracts with customers is disaggregated by revenue stream.

(In thousands)	**2021**	2020	2019
Revenue from Contracts with Customers			
Revenues			
Grocery	**P164,124,835**	P168,632,329	P154,490,309
Wine and liquor	**7,953,736**	5,949,178	7,630,100
Office and technology supplies	**1,553,080**	1,669,050	2,447,877
	173,631,651	176,250,557	164,568,286
Other revenue			
Concession fee income	**2,030,609**	2,095,904	2,056,097
Membership income	**617,841**	628,621	572,714
Commission income	**-**	25,655	20,524
Miscellaneous	**203,632**	133,673	149,576
	2,852,082	2,883,853	2,798,911
Lease revenue			
Revenues			
Real estate and property leasing	**822,122**	1,065,742	1,498,426
Other revenue			
Retail (*Other revenue*)	**326,467**	277,002	463,942
	1,148,589	1,342,744	1,962,368
	P177,632,322	P180,477,154	P169,329,565

20. Cost of Revenues

Cost of goods sold consists of:

(In thousands)	**2021**	2020	2019
Beginning inventory	**P24,918,237**	P24,722,271	P23,931,657
Purchases	**140,673,437**	144,602,199	136,307,493
Total goods available for sale	**165,591,674**	169,324,470	160,239,150
Ending inventory	**25,390,956**	24,914,272	24,722,271
	P140,200,718	P144,410,198	P135,516,879

Cost of rent consists of:

(In thousands)	**2021**	2020	2019
Depreciation	**P246,825**	P245,386	P231,171
Taxes and licenses	**89,540**	92,353	88,537
Security services	**78,769**	82,257	101,594
Repairs and maintenance	**63,774**	52,933	61,608
Janitorial services	**43,075**	44,980	59,172
Management fees	**32,019**	27,122	35,480
Salaries and wages	**26,361**	21,352	21,062
Utilities	**16,842**	16,140	31,112
Insurance	**16,508**	19,018	17,347
Rentals	**3,287**	3,150	5,950
Retirement benefits cost	**-**	552	515
Amusement tax	**17**	286	1,547
Others	**4,428**	5,410	5,693
	P621,445	P610,939	P660,788

21. Leases

As 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.

The movements in right-of-use assets are as follows:

(In thousands)	**2021**	2020
Cost		
Balance at January 1	**P33,508,380**	P29,472,240
Additions	**2,540,045**	2,942,307
Modifications	**146,220**	1,365,084
Terminations	**(825,914)**	(143,525)
End of lease term	**(143,630)**	(127,726)
Balance at December 31	**35,225,101**	33,508,380
Accumulated Depreciation		
Balance, January 1	**9,238,127**	7,772,137
Depreciation	**1,734,488**	1,691,442
Terminations	**(10,797)**	(97,726)
End of lease term	**(143,630)**	(127,726)
Balance, December 31	**10,818,188**	9,238,127
Carrying amount at December 31	**P24,406,913**	P24,270,253

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

(In thousands)	**2021**	2020
Due within one year	**P1,223,723**	P1,035,180
Due beyond one year	**30,271,128**	29,149,190
	P31,494,851	P30,184,370

The movements in lease liabilities are as follows:

(In thousands)	**2021**	2020
January 1	**P30,184,370**	P26,668,941
Additions	**1,788,247**	2,693,706
Accretion of interest	**1,825,245**	1,758,234
Repayments	**(2,310,122)**	(2,299,184)
Terminations	**(931,343)**	(2,411)
Modifications	**146,220**	1,365,084
December 31	**P31,494,851**	P30,184,370

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

(In thousands)	**2021**	2020
Less than one year	**P3,318,570**	P2,626,930
One to five years	**13,982,999**	10,543,066
More than five years	**43,508,179**	33,114,129
	P60,809,748	P46,284,125

The following are the amounts recognized in profit or loss:

(In thousands)	**2021**	2020	2019
Variable lease payments not included in the measurement of lease liabilities*	**P556,044**	P705,720	P708,336
Expenses related to leases of low-value assets	**30,573**	32,078	44,724
Expenses related to short-term leases	**9,416**	12,556	10,111
Total rent expense	**P596,033**	750,354	763,171
Interest accretion on lease liabilities	**1,825,245**	1,758,234	1,673,636
Depreciation charge for right-of-use assets	**1,734,488**	1,465,990	1,072,569
Gain from lease terminations	**89,422**	29,811	42,460

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

Low-value assets pertain mainly to credit card terminals, G4s cash solutions technology and office spaces. Total cash outflows for all leases amounted to P3.9 and P3.1 billion in 2021 and 2020.

As Lessor

The Group leases out its investment properties to various lessees. These non-cancellable leases have lease terms of up to twenty-five (25) years. Some of the leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The lease agreements, among others, include customers' deposits. These deposits shall answer for any unpaid obligations of the lessee to the Group including damages to the leased properties. Customers' deposits, which are carried at amortized cost, are non-interest bearing and refundable upon termination of the lease agreement, provided that there are no outstanding charges against the tenant. Customers' deposits amounted to P709.9 million and P684.4 million as at December 31, 2021 and 2020, composed of current and noncurrent portion, broken down as follows:

(In thousands)	***Note***	**2021**	2020
Current	*18*	**P354,402**	P365,754
Noncurrent		**355,539**	318,682
		P709,941	P684,436

Customers' deposits are recognized initially at fair value and subsequently carried at amortized cost. The fair values of customers' deposits are determined using risk-free interest rates. These are amortized on a straight-line basis.

Rent income recognized as part of "Revenues" account in profit or loss amounted to P0.8 billion, P1.0 billion and P1.5 billion in 2021, 2020 and 2019, respectively.

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

(In thousands)	**2021**	2020	2019
Less than one year	**P1,219,187**	P1,013,399	P1,206,274
One to two years	**883,432**	935,072	958,421
Two to three years	**828,808**	877,255	911,110
Three to four years	**744,353**	787,863	778,016
Four to five years	**681,602**	721,444	738,322
More than five years	**6,650,109**	6,974,676	7,139,242
	P11,007,491	P11,309,709	P11,731,385

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 as part of "Other revenue" account in profit or loss amounted to P364.5 million, P277.0 million and P463.9 million, in 2021, 2020 and 2019, respectively (see Note 22).

The future minimum lease collections under non-cancellable operating leases as at December 31 are as follows:

(In thousands)	**2021**	2020	2019
Less than one year	**P256,658**	P252,349	P275,982
One to two years	**143,206**	151,804	139,825
Two to three years	**115,516**	107,463	132,084
Three to four years	**81,185**	62,837	109,161
Four to five years	**60,910**	33,676	99,237
More than five years	**59,454**	43,756	82,852
	P716,929	P651,885	P839,141

22. Other Revenue

This account consists of:

(In thousands)	***Note***	**2021**	2020	2019
Concession fee income		**P2,030,609**	P2,092,899	P2,056,097
Membership income		**617,841**	628,621	572,714
Rent income	*21*	**364,546**	277,002	463,942
Commission income		**50,618**	25,655	20,524
Miscellaneous		**153,014**	133,673	149,576
		P3,216,628	P3,157,850	P3,262,853

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

23. Operating Expenses

This account consists of:

(In thousands)	***Note***	**2021**	2020	2019
Depreciation and amortization	*11, 12, 13, 21*	**P4,377,755**	P3,950,198	P3,191,988
Manpower agency		**3,596,536**	3,616,858	3,617,718
Salaries and wages		**2,524,379**	2,379,211	2,308,371
Communication, light and water		**2,450,788**	2,224,581	2,427,507
Outside services		**1,335,332**	1,220,612	1,226,738
Taxes and licenses		**1,070,747**	1,008,119	907,331
Advertising and marketing		**763,080**	612,438	647,824
Repairs and maintenance		**692,443**	601,082	510,638
Store and office supplies		**641,570**	589,676	571,376
Rent	*21, 25*	**636,610**	750,354	763,171
Distribution Costs		**491,772**	340,066	338,910
Credit card charges		**479,228**	446,493	356,309
Transportation		**444,424**	291,182	179,733
Retirement benefits cost	*26*	**297,227**	234,979	135,584
Insurance		**248,214**	238,576	221,217
SSS/Medicare and HDMF contributions		**218,560**	191,933	195,593
Input VAT allocable to exempt sales		**203,180**	229,374	239,069
Representation and entertainment		**158,308**	171,304	137,791
Fuel and oil		**98,448**	73,245	79,129
Impairment losses on receivables	*5*	**-**	64,689	8,649
Professional fees		**67,154**	40,237	47,749
Royalty expense	*25*	**57,336**	61,961	58,897
Provision for doubtful accounts		**39,736**	-	-
Impairment loss on property and equipment	*11*	**-**	160,037	-
Impairment loss on deferred oil and mineral exploration costs	*2, 14*	**-**	-	128,090
Others		**569,018**	650,507	847,707
		P21,461,845	P20,147,712	P19,147,089

24. Other Income (Charges)

This account consists of:

(In thousands)	***Note***	**2021**	2020	2019
Gain from lease terminations	*21*	**P89,422**	P29,811	P42,460
Gain from reversal of provision		**64,103**	-	-
Share in income (losses) of joint ventures and associates	*10*	**(13,979)**	(15,313)	11,044
Foreign exchange gain (loss)		**(12,979)**	(19,482)	28,805
Gain (loss) from insurance claims		**6,379**	513	3,503
Gain (loss) from sale of financial assets		**(5,292)**	36,230	-
Unrealized valuation gain (loss) on financial assets	*7*	**3,213**	(7,407)	(1,582)
Bank charges		**(2,878)**	(4,843)	(14,552)
Gain from disposal of property and equipment		**784**	739	-
Gain from sale of interest in a subsidiary/joint venture	*10, 33*	**-**	-	6,073,605
Miscellaneous		**16,053**	10,445	5,346
		P144,826	P30,693	P6,148,629

25. Related Party Transactions

The Group's transactions and balances with its related parties follow *(in thousands)*:

Related Party	Year	*Note*	Amount of Transactions for the Year	Cash and Cash Equivalents/ Receivables	Due from Related Parties	Lease Liabilities	Due to Related Parties	Terms	Conditions
Under Common Control									
▪ Loans receivable									
Principal	**2021**	*a*	**P5,524,543**	**P -**	**P -**	**P -**	**P -**	Due on September 30,	Unsecured; Unimpaired
Interest	**2021**		**42,207**	**621,488**	**-**	**-**	**-**	2021; interest bearing	
Principal	2020	*a*	6,374,365	5,524,543	-	-	-	Due on September 30,	Unsecured; Unimpaired
Interest	2020		237,162	579,091	-	-	-	2020; interest bearing	
▪ Advances for working capital	**2021**		**-**	**-**	**-**	**-**	**363,146**	Due and demandable;	Unsecured; Unimpaired
requirements	2020		-	-	-	-	363,146	non-interest bearing	
▪ Management fees	**2021**	*d*	**32,018**	**-**	**-**	**-**	**-**	Due and demandable;	Unsecured
	2020		29,030	-	-	-	-	non-interest bearing	
▪ Rent income	**2021**	*e*	**121,603**	**-**	**-**	**-**	**-**	Due and demandable;	Unsecured
	2020		125,909	-	-	-	-	non-interest bearing	
▪ Rent payments	**2021**	*f*	**745,811**			**1,076,496**		Due and demandable;	Unsecured
	2020		216,311	-	-	3,216,435	-	non-interest bearing	
Associates									
▪ Concession fee expense	**2021**	*c*	**245,531**	-	-	-	-	Due and demandable;	Unsecured
	2020		382,544	-	-	-	-	non-interest bearing	
Stockholder									
▪ Advances for working capital	**2021**		**214,066**	-	**60,340**	-	**283,205**	Due and demandable;	Unsecured
requirements	2020		826,132	-	184,852	-	349,316	non-interest bearing	Unimpaired
▪ Royalty expense	**2021**	*g*	**57,336**	**-**	**-**	**-**	**45,868**	Due and demandable;	Unsecured
	2020		49,569	-	-	-	49,569	non-interest bearing	
Key Management Personnel									
▪ Short-term benefits	**2021**		**45,657**						
	2020		45,657	-	-	-	-		
Total	**2021**			**P621,488**	**P60,340**	**P1,076,496**	**P692,219**		
Total	2020			P6,103,634	P184,852	P3,216,435	P762,031		

a. Loans Receivable

In 2019, the Group through CHC granted loans Union Energy Corporation and League One, Inc., entities under common control, which are payable on September 30, 2020. The loans bear interest based on prevailing market rates agreed with the borrowers on a quarterly basis. Interest rates range from 2.0% to 4.8%. The loan to Union Energy Corporation was fully paid on December 29, 2020 while loan to League One, Inc. was rolled over for another year at market interest rate and paid on June 17, 2021.

b. Money Market Placements

The money market placements are with Philippine Bank of Communications, a local bank under common control.

c. 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 the Group through KMC, referred to as the “Consignor.” The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

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

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) warehouses.

- 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) warehouses whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee’s gross sales which was decreased to ten percent (10%) through an amendment of the contact on January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee’s gross sales.

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

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

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the warehouses 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.

  On November 4, 2020, the Consignee assigned to the Consignor its lease of land located at 32nd Street, 5th Avenue, Bonifacio Global City, Taguig City with a lease term from January 10, 2012 until January 9, 2033.

d. Management Agreement

The Group entered into a management agreement with Puregold Realty Leasing and Management, Inc. (PRLMI), an entity under common control. Under the agreement, PRLMI shall handle the leasing and marketing, billing and collection, documentation, and property management services of the properties owned by the realty segment of the Group. In consideration of such services, the Group shall pay monthly management fee to PRLMI equivalent to 5.0% to 8.5% of rental collected by PRLMI. The agreement is valid for a year, and is renewable upon mutual agreement of both parties.

e. Lease Agreement - As a Lessor

The Group and PriceSmart entered into a lease agreement for the rental of land. The term of the lease is 23 years and renewable under such terms and conditions that shall be agreed upon by the parties.

f. Lease Agreement - As a Lessee

The Group entered into lease agreements mainly for stores and warehouses with various entities under common control. Lease terms range from 3 to 25 years and renewable under such terms and conditions that shall be agreed upon by the parties.

g. 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

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

Related Party Transactions and Balances Eliminated During Consolidation
The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation in 2021 and 2020 are as follows:

a Advances and trade receivables from the Parent Company to its subsidiaries

(In thousands)	**Outstanding Balance**
2021	**P5,164,451**
2020	P6,493,696

These advances are unsecured and with various terms. These are payable in cash. Interest income from these advances amounted to P182.9 million in 2020 and P88.8 million in 2019.

b Receivables from subsidiaries to their fellow subsidiaries

(In thousands)	**Outstanding Balance**
2021	**P2,482,122**
2020	P3,467,768

These advances are unsecured and with various terms. These are payable in cash.

c Sale of goods of the subsidiaries within the Group

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P3,083,452**	**P761,104**
2020	P2,220,832	P667,167

Receivables from sale of goods are non-interest bearing are generally on a 30-day credit terms.

d Sale of services of the subsidiaries within the Group

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P874,091**	**P51,524**
2020	P630,285	P119,582

Receivables from sale of services are unsecured, non-interest bearing are generally on a 30-day credit terms.

e Dividend income received by the Parent Company from dividends declared by its subsidiaries

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**2,235,887**	**P1,499,988**
2020	P884,890	P1,779,604

Cash dividends are due on payment date.

f Dividend income received by a subsidiary from dividends declared by the Parent Company

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P29,307**	**P29,307**
2020	P39,077	P39,077

Cash dividends are due on payment date.

g Management and arrangement fees charged by the Parent Company to its subsidiaries

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2019	P301,403	P443,403

Receivables from management and arrangement fees are non-interest bearing and are due and demandable and payable in cash.

h Right-of-use assets, lease liabilities and prepayments eliminated as a result of intra-group lease of properties

Right-of-Use assets

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P125,211**	**P2,208,947**
2020	135,608	2,846,183

Lease liabilities

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P432,701**	**P4,107,411**
2020	144,490	4,167,078

Prepayments

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P -**	**P -**
2020	P322,299	P1,398,837

i Loan receivable issued by the Parent Company to a subsidiary

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P412,928**	**P3,637,500**
2020	204,643	3,224,572

26. Retirement Benefits Cost

The Group has an unfunded, non-contributory, defined benefit plan covering all of its permanent employees. 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. 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. Valuations are obtained on a periodic basis.

The retirement benefits liability recognized in the consolidated statements of financial position as at December 31 are as follows:

(In thousands)	**2021**	2020
Present value of defined benefits obligation	**P1,376,417**	P1,461,778
Fair value of plan assets	**(29,873)**	(30,018)
	P1,346,544	P1,431,760

The following table shows reconciliation from the opening balances to the closing balances of the present value of defined benefits obligations:

(In thousands)	**2021**	2020
Balance at beginning of year	**P1,461,778**	P984,469
Included in profit or loss:		
Current service cost	**239,558**	184,082
Interest cost	**57,669**	51,449
	297,227	235,531
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	**(335,117)**	326,771
Experience adjustments	**(43,949)**	(76,154)
	(379,066)	250,617
Benefits paid	**(4,308)**	(8,839)
Effect of business combination	**786**	-
Balance at end of year	**P1,376,417**	P1,461,778

The following table shows reconciliation from the opening balances to the closing balances for fair value of plan assets:

(In thousands)	**2021**	2020
Balance at beginning of year	**P30,018**	P28,651
Interest income	**1,186**	1,285
Return on plan asset excluding interest	**(1,331)**	82
Balance at end of year	**P29,873**	P30,018

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

(In thousands)	**2021**	2020
Cash in banks	**P293**	P3,294
Debt instruments - government bonds	**15,827**	26,527
Trust fees payable	**(48)**	(14)
Other	**13,801**	411
	P29,873	P30,218

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

	2021	2020
Discount rate	**5.1% to 10.0%**	4.0% to 5.0%
Future salary increases	**7.0% to 26.9%**	5.0% to 8.0%

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

The weighted average duration of the defined benefit obligation as at December 31, 2021 and 2020 is 21.5 years and 25.8 years, respectively.

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

2021

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**(P292,421)**	**P231,408**
Future salary increase rate (1% movement)	**281,529**	**(228,291)**

2020

(In thousands)	Increase	Decrease
Discount rate (1% movement)	(P340,315)	P266,233
Future salary increase rate (1% movement)	323,561	(260,132)

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

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

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement obligation are paid directly by the Group when they become due.

The 10-year maturity analysis of the benefit payments:

	2021 *(In thousands)*				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**Within 5 - 10 Years**
Defined benefit obligation	**P1,346,544**	**P342,482**	**P67,480**	**P72,075**	**P202,927**

	2020 *(In thousands)*				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,431,760	P274,196	P39,176	P55,524	P179,496

Multi-employer Retirement 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 from the Group to the Retirement Fund.

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

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

The Group has no expected future contribution for 2022.

27. Income Taxes

The provision for income tax consists of:

(In thousands)	**2021**	2020	2019
Current	**P3,185,123**	P4,098,535	P3,803,735
Deferred	**(193,407)**	(273,928)	(282,270)
	P2,991,716	P3,824,607	P3,521,465

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

(In thousands)	**2021**	2020	2019
Income before income tax	**P13,503,206**	P13,833,533	P18,914,672
Income tax expense at the statutory income tax rate: 2021: 25%2020 and 2019: 30%	**3,305,942**	P4,061,370	P5,884,228
5%	**13,972**	14,782	19,441
Income tax effects of:			
Deduction from gross income due to optional standard deduction	**(123,108)**	(164,980)	(349,350)
Interest income subject to final tax	**(106,239)**	(137,720)	(201,719)
Changes in unrecognized DTA	**49,676**	33,932	(88,277)
Non-deductible expenses	**27,544**	(9,424)	(89,061)
Non-deductible interest expense	**23,989**	35,537	68,406
Other income subject to final tax	**(16,026)**	(10,869)	(1,700)
Share in income of associates and joint ventures	**3,629**	7,450	(3,313)
Non-taxable income	**(3,699)**	(5,848)	(2,738)
Excess of MCIT over RCIT	**-**	377	10,060
NOLCO utilized	**-**	-	97,570
Gain on sale of investment subject to capital gains tax	**-**	-	(1,822,082)
Effect of change in tax rate	**(183,964)**	-	-
	P2,991,716	P3,824,607	P3,521,465

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

Net deferred tax assets as at December 31:

(In thousands)	**2021**	2020
Deferred tax assets (liabilities) on:		
Excess of lease liabilities over ROU assets	**P1,781,846**	P1,772,390
Fair value of intangible assets from business combination	**(1,149,778)**	(1,379,734)
Retirement benefits liability	**335,526**	423,826
Accrued rent income	**(127,922)**	(10,831)
Allowance for impairment losses on receivables	**22,317**	5,454
Borrowing cost	**(10,678)**	-
Advance rent	**(5,213)**	-
Unrealized foreign exchange loss (gain)	**3,083**	(593)
Accrued rent expense	**1,843**	1,702
NOLCO	**-**	49,750
Allowance for impairment of deferred oil and mineral exploration costs	**32,023**	38,427
Others	**(283)**	2,328
	P882,764	P902,719

Net deferred tax liabilities as at December 31, 2020:

(In thousands)	
Deferred tax assets (liabilities) on:	
Retirement benefits liability	P1,469
Excess of lease liabilities over ROU assets	956
Unrealized foreign exchange loss	366
Accrued rent income	(76,502)
Excess of ROU assets over lease liabilities	(53,339)
Borrowing cost	(13,109)
Remeasurement on defined benefits liability	(4,429)
	(P144,588)

The realization of these deferred tax assets is dependent upon future taxable income when temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefits liability.

The Group has temporary differences for which deferred tax assets were not recognized because management believes that it is not probable that sufficient taxable profits will be available against which the benefits of the deferred taxes can be utilized.

The unrecognized deferred tax assets as at December 31 are as follows:

(In thousands)	**2021**	2020
Impairment of property, plant and equipment	**P40,009**	P48,011
NOLCO	**104,666**	26,356
MCIT	**10,437**	10,481
PFRS 16	**7,174**	-
Retirement Liability	**5,370**	-
Unrealized foreign exchange gain (loss)	**4,568**	7,575
	P172,224	P92,423

The unrecognized deferred tax assets came from the Parent Company, Canaria Holdings Corporation and Alcorn Petroleum and Mineral Corporation.

The details of the Group's NOLCO which are available for offsetting against future taxable income are shown below (in thousands):

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2019	P165,833	P -	P165,833	2022
2020	2,298	-	2,298	2025
2021	250,535	-	250,535	2026
	P418,666	P -	P418,666	

The details of the Group's MCIT which are available for offsetting against future taxable income are shown below (in thousands):

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2018	P8,733	(P8,733)	P -	2021
2019	10,060	-	10,060	2022
2020	377	-	377	2023
	P19,170	(P8,733)	P10,437	

28. Equity

Capital Stock

The details of the Parent Company's common shares follow:

	2021		2020	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - P1.00 par value	10,000,000,000	P10,000,000	10,000,000,000	P10,000,000
Issued and outstanding:				
Issued	**7,405,263,564**	**P7,405,264**	7,405,263,564	P7,405,264
Less treasury shares	**459,071,290**	**1,734,603**	451,238,890	1,652,861
Outstanding	**6,946,192,274**	**P5,670,661**	6,954,024,674	P5,752,403
Treasury shares:				
Balance at beginning of year	**451,238,890**	**P1,652,861**	410,738,990	P1,403,974
Buy back of shares	**7,832,400**	**81,742**	40,499,900	248,887
Balance at end of year	**459,071,290**	**P1,734,603**	451,238,890	P1,652,861

Treasury Shares
On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1.0 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2021 and 2020, the Company renewed its program to buy back its shares for another year up to P3.0 billion and P2.0 billion, respectively.

Retained Earnings
Declaration of Cash Dividends
In 2021 and 2020, the Parent Company's BOD approved cash dividends for common shareholders with the following details:

Type	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.06
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.08
Cash	December 18, 2020	January 8, 2021	January 29, 2021	0.08
Cash	December 18, 2020	January 15, 2021	February 9, 2021	0.04
Cash	December 18, 2020	January 8, 2021	January 29, 2021	0.04
Cash	December 21, 2021	January 10, 2022	February 3, 2022	0.08
Cash	December 21, 2021	January 10, 2022	February 3, 2022	0.04

As of December 31, 2021 and 2020, unpaid cash dividends on common shares amounting to P1.6 billion and P2.2 billion, respectively, are included as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

Non-controlling Interests
For the years ended December 31, 2021, and 2020, movements in NCI pertain to the share in net earnings of and dividends paid to non-controlling shareholders, and sale/buyback of the subsidiary shares.

The following table summarizes the financial information of subsidiaries that have material non-controlling interests:

This information is based on amounts before inter-company eliminations.

	2021			2020	
(In thousands)	**PPCI**	**TKHI**	**CHC**	PPCI	CHC
NCI percentages	**50.82%**	**22.46%**	**10%**	50.84%	10%
Carrying amounts of NCI	**P38,353,714**	**P2,704,745**	**P732,100**	P34,826,274	P727,708
Current assets	**P65,930,709**	**P13,817,913**	**P12,677,300**	P59,475,057	P12,046,531
Noncurrent assets	**73,503,099**	**331,421**	**-**	72,205,358	-
Current liabilities	**17,184,816**	**1,960,440**	**1,625,585**	17,222,485	4,769,453
Noncurrent liabilities	**46,773,000**	**146,712**	**3,730,720**	45,869,304	-
Net assets	**P75,475,992**	**P12,042,182**	**P7,320,995**	P68,588,626	P7,277,078
Net income attributable to NCI	**P4,157,732**	**P55,172**	**P4,392**	P4,101,175	P7,556
Other comprehensive income (loss) attributable to NCI	**P137,163**	**(P56)**	**P -**	(P88,005)	P -
Revenue	**P164,124,835**	**P11,034,613**	**P59,469**	P168,632,329	P237,044
Net income	**P8,180,022**	**P1,584,383**	**P43,917**	P8,066,828	P75,557
Other comprehensive income (loss)	**269,858**	**(1,596)**	**-**	(173,102)	-
Total comprehensive income	**P8,449,880**	**P1,582,787**	**P43,917**	P7,893,726	P75,557
Net cash flows provided by (used in):					
Operating	**P14,996,009**	**P1,366,499**	**P4,944,695**	P14,702,750	P75,557
Investing	**(1,336,831)**	**(13,481)**	**569,492**	(5,755,872)	-
Financing	**(5,071,678)**	**3,813,808**	**428,528**	6,693,756	-
Net increase in cash and cash equivalents	**P8,587,500**	**P5,166,826**	**P5,942,715**	P15,640,634	P75,557

**Adjusted for the share in income in LPC and CHPI recognized from date of acquisition to date of sale and other eliminating adjustment.*

29. Segment Information

Segment information reported externally was analyzed on the basis of types of goods supplied and services provided by the Group's operating divisions. However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the types of goods or services delivered or provided. The Group's reportable segments are as follows:

Grocery retail	Includes selling of purchased goods to a retail market
Specialty retail	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of LPG, filling and distributions of LPG cylinders as well as distributions to industrials, wholesale and other customers.
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Real estate and property leasing	Includes real estate activities such as selling and leasing of real properties
Oil and mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

The following segment information does not include any amounts for discontinued operations.

Information regarding the Group's reportable segments is presented hereunder:

Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

(In thousands)	Segment Revenues 2021	2020	2019	Segment Profit 2021	2020	2019
Grocery retail	**P164,124,835**	P168,632,329	P154,490,309	**P8,180,022**	P8,066,828	P6,772,788
Liquor distribution	**11,034,614**	8,167,404	10,717,397	**1,621,715**	1,179,844	1,212,453
Specialty retail	**1,555,654**	1,671,656	2,451,217	**49,706**	55,817	97,033
Real estate and property leasing	**1,696,213**	1,696,027	2,146,777	**876,199**	699,556	1,225,477
Holding, oil and mining	**-**	-	-	**1,990,336**	1,343,392	9,397,287
Total	**178,411,316**	180,167,416	169,805,700	**12,717,978**	11,345,437	18,705,038
Eliminations of intersegment revenue/profit	**3,957,543**	2,851,117	3,738,988	**2,206,488**	1,336,511	3,311,831
	P174,453,773	P177,316,299	P166,066,712	**P10,511,490**	P10,008,926	P15,393,207

Revenue reported above represents revenue generated from external customers and inter-segment sales and is broken down as follows:

(In thousands)	**2021**	2020	2019
Grocery retail:			
From external customers	**P164,124,835**	P168,632,329	P154,490,309
Liquor distribution:			
From external customers	**7,953,736**	5,949,178	7,630,100
From intersegment sales	**3,080,878**	2,218,226	3,087,297
	11,034,614	8,167,404	10,717,397
Specialty retail:			
From external customers	**1,553,080**	1,669,050	2,447,877
From intersegment sales	**2,574**	2,606	3,340
	1,555,654	1,671,656	2,451,217
Real estate and property leasing:			
From external customers	**784,043**	1,065,742	1,498,426
From intersegment sales	**874,091**	630,285	648,351
	1,658,134	1,696,027	2,146,777
Oil and mining:			
From external customers	**-**	-	-
Total revenue from external customers	**P174,415,694**	P177,316,299	P166,066,712
Total intersegment revenue	**P3,957,543**	P2,851,117	P3,738,988

No single customer contributed 10% or more to the Group's revenue in 2021, 2020 and 2019.

The Group's reportable segments are all domestic operations.

Segment Assets and Liabilities

Below is the analysis of the Group's segment assets and liabilities:

(In thousands)	**2021**	2020	2019
Segment assets:			
Grocery retail	**P139,433,807**	P131,593,509	P108,634,798
Specialty retail	**934,249**	1,191,517	1,225,214
Liquor distribution	**9,868,893**	8,739,767	8,776,038
Real estate and property leasing	**23,978,712**	25,596,172	25,651,342
Oil and mining	**129,577,442**	106,061,232	105,902,079
Total segment assets	**303,793,103**	273,182,197	250,189,471
Intercompany assets	**116,201,353**	94,992,373	95,739,577
Total assets	**P187,591,750**	P178,189,824	P154,449,894
Segment liabilities:			
Grocery retail	**P63,957,815**	P63,090,940	P46,735,448
Specialty retail	**483,045**	792,646	2,475,886
Liquor distribution	**2,136,321**	2,273,073	3,299,462
Real estate and property leasing	**7,478,347**	8,995,981	9,403,470
Oil and mining	**7,214,003**	11,285,978	10,531,184
Total segment liabilities	**81,269,531**	86,438,618	72,445,450
Intercompany liabilities	**16,771,493**	18,028,122	20,056,340
Total liabilities	**P64,498,038**	P68,410,496	P52,389,110

30. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

(In thousands except per share data)	**2021**	2020	2019
Net income attributable to equity holders of the Parent Company (a)	**P6,294,194**	P5,900,195	P11,597,381
Weighted average number of common shares (b)	**6,949,854**	7,054,850	7,010,161
Basic/diluted EPS (a/b)	**P0.91**	P0.84	P1.65

There were no potential dilutive common shares in 2021, 2020 and 2019.

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transaction during the year.

31. 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

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.

(In thousands)	***Note***	**2021**	2020
Cash and cash equivalents [1]	*4*	**P63,285,980**	P48,085,044
Receivables - net	*5*	**4,735,784**	10,308,181
Financial assets at FVPL	*7*	**30,726**	2,411,375
Security deposits [2]	*15*	**2,299,378**	2,260,918
Due from related parties	*25*	**60,341**	184,852
Financial assets at FVOCI	*8*	**15,279**	16,860
		P70,427,488	P63,267,230

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets"

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.

	December 31, 2021			
(In thousands)	**Grade A**	**Grade B**	**Grade C**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	**P63,285,980**	**P -**	**P -**	**P63,285,980**
Receivables	**3,146,083**	**1,500,432**	**89,269**	**4,735,784**
Due from related parties	**60,341**	**-**	**-**	**60,341**
Security deposits[2]	**-**	**2,299,378**	**-**	**2,299,378**
Financial Assets at FVPL				
Investments in trading securities	**30,726**	**-**	**-**	**30,726**
Financial Assets at FVOCI				
Investments in preferred shares	**7,262**	**-**	**-**	**7,262**
Investment in common shares	**-**	**-**	**-**	
Quoted	**5,713**	**-**	**-**	**5,713**
Unquoted	**2,304**	**-**	**-**	**2,304**
	P66,538,409	**P3,889,079**	**P89,269**	**P70,427,488**

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets".

	December 31, 2020			
(In thousands)	Grade A	Grade B	Grade C	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	P48,085,044	P -	P -	P48,085,044
Receivables	8,051,166	2,190,085	66,930	10,308,181
Due from related parties	184,852	-	-	184,852
Security deposits[2]	-	2,260,918	-	2,260,918
Financial Assets at FVPL		-	-	
Investments in trading securities	2,411,375	-	-	2,411,375
Financial Assets at FVOCI		-	-	
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares		-	-	
Quoted	7,294	-	-	7,294
Unquoted	2,304	-	-	2,304
	P58,749,297	P4,451,003	P66,930	P63,267,230

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets".

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

a. Cash in banks and cash equivalents and short-term investments 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 risk for investment in debt securities are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.

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

e. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

<u>Liquidity Risk</u>
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:

	December 31, 2021				
(In thousands)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year to 5 Years**	**More than 5 Years**
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	**P16,256,771**	**P16,256,771**	**P16,256,771**	**P -**	**P -**
Short-term loans	**48,000**	**48,000**	**48,000**	**-**	**-**
Lease liabilities	**30,132,436**	**60,809,748**	**3,318,570**	**13,982,999**	**43,508,179**
Due to related parties	**692,219**	**692,219**	**692,219**	**-**	**-**
Long-term loans[2]	**11,770,458**	**15,418,859**	**500,593**	**2,002,374**	**12,915,892**
Customers' deposits[3]	**709,941**	**709,941**	**-**	**-**	**-**
	59,609,825	**63,258,226**	**18,588,077**	**11,450,829**	**33,871,794**

[1] Excluding due to government agencies.
[2] Including current, non-current portion and future interest payment.
[3] Including current and non-current portion.

	December 31, 2020				
(In thousands)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	P15,934,243	P15,934,243	P15,934,243	P -	P -
Short-term loans	42,000	42,000	42,000	-	-
Lease liabilities	30,184,370	46,284,125	2,626,930	10,543,066	33,114,129
Due to related parties	762,031	762,031	762,031	-	-
Long-term loans[2]	16,569,700	21,066,500	4,501,007	3,006,465	13,559,028
Customers' deposits[3]	684,436	684,436	365,753	239,012	79,671
	P64,176,780	P84,773,335	P24,231,964	P13,788,543	P46,752,828

[1] Excluding due to government agencies.
[2] Including current, non-current portion and future interest payment.
[3] Including current and non-current portion.

Market Risk

Market risk is the risk that changes in market prices such as interest rates that will adversely affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.
The Group is mainly subject to interest rate risks.

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 may be exposed to interest rate risk on interest earned on cash deposits in banks which have variable rates exposing the Group further to cash flow interest rate risk. However, the management believes that the Group is not significantly exposed to interest rate risk since its short and long-term loans have fixed rates and are carried at amortized cost.

The Group's policy is to obtain the most favorable interest available without increasing its interest rate risk exposure.

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 Parent Company maintains equity at a level that is compliant with its loan covenants.

The Group is not subject to externally imposed requirements.

32. Fair Value of Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at December 31, 2021 and 2020.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties
The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

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

Financial Assets at FVPL (Level 2)
The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

Financial Assets at FVOCI - Quoted (Level 1)
The fair values of financial assets at FVPL and quoted financial assets at FVOCI and similar investments are based on quoted market prices in an active market.

Financial Assets at FVOCI - Unquoted
The fair value of the unquoted equity securities at FVOCI is not determinable because of the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Accounts Payable and Accrued Expenses, Short-term Loans and Due to Related Parties
The carrying amounts of accounts payable and accrued expenses, short-term loans, due to related parties and customers' deposits approximate the fair value due to the relatively short-term maturities of these financial instruments.

Long-term Loans, Lease Liabilities and Customers' Deposits
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 Group analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2021 and 2020, the Group's financial assets at FVPL for equity securities, and quoted equity investments at OCI are classified as Level 1 while financial assets at FVPL for government securities are classified as Level 2.

33. Sale of Subsidiaries

On October 19, 2018, Canaria Holdings, Inc., a 90%-owned subsidiary of Cosco, the Parent Company executed a Share Purchase Agreement (SPA) with Fernwood Holdings, Inc. for the sale of its entire equity interests in LPC and CPHI.

The Philippine Competition Commission subsequently granted its approval to the share purchase transaction on January 17, 2019, which paved the way for the completion and closing of the transaction between the parties on October 19, 2018.

The breakdown of the gain on sale recognized in profit or loss in 2019 is as follows:

(In thousands)	2019
Selling price	P13,100,000
Transaction costs	(1,729,020)
Proceeds	11,370,980
Cost of investment	(3,428,451)
Gain on sale before the effect of share in income recognized	7,942,529
Share in income recognized (date of acquisition to date of sale)	(1,868,924)
Gain on sale	P6,073,605

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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
Cosco Capital, Inc. and Subsidiaries
900 Romualdez Street
Paco, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of **Cosco Capital, Inc. and Subsidiaries** (the “Group”) as at and for the year ended December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, on which we have rendered our report dated May 6, 2022.

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

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

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854063
Issued January 3, 2022 at Makati City

May 6, 2022
Makati City, Metro Manila

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

The Board of Directors and Stockholders
Cosco Capital, Inc. and Subsidiaries
900 Romualdez Street
Paco, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated May 6, 2022.

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

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2021 and 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
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May 6, 2022
Makati City, Metro Manila

Cosco Capital Inc. and Subsidiaries
As of December 31, 2021

<table>
<tr><th rowspan="2">Ratio</th><th rowspan="2">Formula</th><th colspan="2">Years ended December 31</th></tr>
<tr><th>2021</th><th>2020</th></tr>
<tr><td>Current ratio</td><td>Total Current Assets divided by Total Current Liabilities

Total current assets P95,732,896
Divide by: Total current liabilities 20,787,780
4.61</td><td>4.61</td><td>3.60</td></tr>
<tr><td>Acid-test ratio</td><td>Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities

Total current assets P95,732,896
Less: Inventories 25,390,956
Other current assets 1,648,099
Quick assets 68,693,841
Divide by: Total current liabilities 20,787,780
Acid-test ratio 3.30</td><td>3.30</td><td>2.51</td></tr>
<tr><td>Solvency ratio</td><td>Solvency ratio (Profit plus depreciation and amortization over total liabilities)

Net income P10,511,490
Add: Depreciation and amortization 4,624,580
Total 15,136,070
Divide by: Total liabilities 64,583,603
Solvency ratio 0.23</td><td>0.23</td><td>0.21</td></tr>
<tr><td>Debt-to-equity ratio</td><td>Debt-to equity ratio (Total liabilities over total equity)

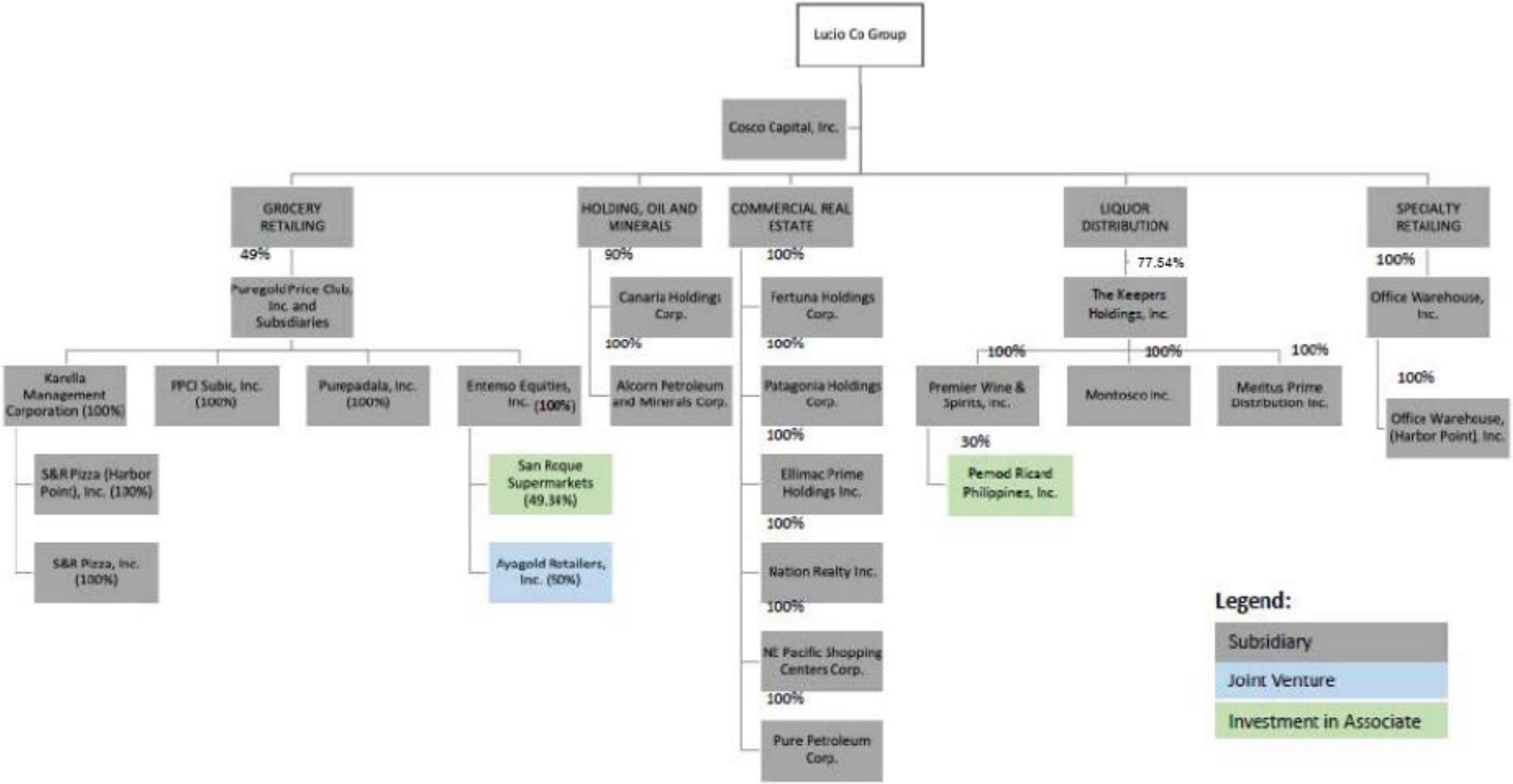
Total liabilities P64,498,038
Divide by: Total equity 123,093,712
0.52</td><td>0.52</td><td>0.62</td></tr>
<tr><td>Asset-to-equity ratio</td><td>Asset-to-equity ratio (Total assets over total equity)

Total assets P187,591,750
Divide by: Total equity 123,093,712
1.52</td><td>1.52</td><td>1.62</td></tr>
</table>

Ratio	Formula	Years ended December 31	
		2021	2020
Interest rate coverage ratio	Interest rate coverage ratio (Profit before interest and taxes over interest expense) Profit before interest and taxes P16,035,867 Divide by interest expense 2,522,629 6.36	6.36	7.29
Return on equity	Return on Equity (Net Income by Total Equity) Net income P10,511,490 Divide by: Total equity 123,093,712 9%	9%	9%
Return on assets	Return on Assets (Net Income by Total Assets) Net income P10,511,490 Divide by: Total assets 187,591,750 6%	6%	6%
Net profit margin	Net profit margin (Profit over net sales) Net income P10,511,490 Divide by: Net sales 174,453,773 6.03%	6.03%	5.64%
Other ratios	Operating profit margin (Operating profit over net sales) Operating profit P15,386,393 Divide by: Net sales 174,453,773 8.82%	8.82%	8.63%

COSCO CAPITAL, INC. AND SUBSIDIARIES

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



ANNEX "C"

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE A. FINANCIAL ASSETS

(Amounts in Thousands, except Number of Shares Principal amounts of Bonds and Notes)

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
Cash in banks and cash equivalents - various banks	N/A	P63,285,980	P63,285,980	P493,338*
Receivables - net - various creditors debtors	N/A	4,735,784	4,735,784	704,816
Government securities - Bureau of Treasury	6,290,000	-	-	15,574
Financial assets at FVPL - various Publicly-listed Companies	1,002,192	30,726	30,726	3,212**
Financial assets at FVOCI - various Publicly-listed Companies	95,999	15,279****	15,279	652***
Due from related parties - Related parties outside the Group	N/A	184,852	184,852	-
Security deposits - various lessors	N/A	2,299,378	2,299,378	-
		P70,551,999	P70,551,999	P720,390

Notes:

*This represents interest income earned, net of final tax

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

***This represents dividend income

****P8,495 is presented as part of “Other Noncurrent Assets” in Balance Sheet

COSCO CAPITAL, INC. AND SUBSIDIARIES

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

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Lucio L. Co - Chairman	P34,667	P126	P34,670	P -	P126	P -	P125
Various Employees	12,758	6,545	8,170	-	11,133	-	11,133
	P47,425	P6,671	P42,840	P -	P11,259	P -	P11,258

COSCO CAPITAL, INC. AND SUBSIDIARIES

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

(Amount in Thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Advances							
Ellimac Prime Holdings, Inc.	P3,727,194	P -	P2,292	P -	P3,724,902	P -	P3,724,902
Fertuna Holdings Corporation	104,441	-	36,100	-	68,341	-	68,341
Patagonia Holdings Corporation	917,808	-	89,300	-	828,508	-	828,508
Nation Realty, Inc.	300,966	-	60,000	-	240,966	-	240,966
Alcorn Petroleum and Minerals Corporation	386,243	-	84,510	-	301,733	-	301,733
Canaria Holdings Corporation	10,500	-	-	-	10,500	-	10,500
Dividends							
Puregold Price Club, Inc.	634,890	705,434	634,890	-	705,434	-	705,434
Canaria Holdings Corporation	450,000	-	-	-	450,000	-	450,000
NE Pacific Shopping Centers Corp.	40,000	-	40,000	-	-	-	-
Nation Realty, Inc.	109,714	-	109,714	-	-	-	-
Patagonia Holdings Corporation	260,000	-	260,000	-	-	-	-
Ellimac Prime Holdings, Inc.	285,000	75,000	285,000	-	75,000	-	75,000
Fertuna Holdings Corporation	100,000	-	100,000	-	-	-	-
Pure Petroleum Corporation	50,000	-	50,000	-	-	-	-
Montosco, Inc.	200,000	-	200,000	-	-	-	-
Premier Wines and Spirits, Inc.	100,000	-	100,000	-	-	-	-
Trade and other receivables							
Meritus Prime Distributions Inc	-	266,542	-	-	-	-	266,542
Montosco, Inc.	-	308,156	-	-	-	-	308,156
Nation Realty, Inc	55,242		6,562	-	-	-	48,680
Premier Wines and Spirits, Inc..	106,700	185,309	-	-	-	-	292,009
Canaria Holdings Corporation	781,956	304,947	-	-	-	-	1,086,903
Fertuna Holdings Corporation	2,089		1,452	-	-	-	637
Ellimac Prime Holdings, Inc.	83,494		35,387	-	-	-	48,107
NE Pacific Shopping Center Corp.	8	2,593	-	-	-	-	2,601
Alcorn Petroleum and Minerals Corporation	202	72,082	-	-	-	-	72,284
Patagonia Holdings Corporation	20,559	65,441	-	-	-	-	86,000
Note receivable							
Canaria Holdings Corporation	3,224,572	440,632	27,704	-	3,637,500	-	3,637,500
Advances							
Ellimac Prime Holdings, Inc.	P3,727,194	P -	P2,292	P -	P3,724,902	P -	P3,724,902
	P11,951,578	**P2,426,136**	**P2,122,911**	**P -**	**P6,317,982**	**P -**	**P12,254,803**

COSCO CAPITAL INC. AND SUBSIDIARIES

SCHEDULE D. LONG TERM DEBT
(Amount in Thousands)

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

COSCO CAPITAL, INC. AND SUBSIDIARIES

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

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

NOT APPLICABLE

COSCO CAPITAL, 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 (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common Shares	10,000,000,000	7,405,263,564	-	722,738,524	4,169,784,269	2,512,740,771

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2021
(Amounts in Thousands)

COSCO CAPITAL, INC.
900 Romualdez Street, Paco, Manila

		Figures are based from Parent Company's Financial Statements
Unappropriated Retained Earnings, as adjusted, beginning		**P242,849**
Net Income based on the face of audited financial statements		**1,633,153**
Less: Non-actual/unrealized income net of tax		
Equity in net income of associates	P -	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Equity in net income of a joint venture	-	
PFRS 16 adjustment on DTA	-	
Deferred tax benefit	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustments of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total		**-**
Add: Non-actual losses		
Unrealized loss on fair value adjustment of investment through P/L	-	
Deferred tax expense	1,240	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total		**1,240**
Net income actually earned during the period		**1,634,393**
Add (Less):		
Dividends declared during the year		**(862,851)**
Movement in treasury shares		**(40,402)**
Unappropriated Retained Earnings, as adjusted, ending		**P973,989**

Excerpt from the 2021
Consolidated Audited Financial
Statement of Cosco Capital, Inc.

25. Related Party Transactions

The Group's transactions and balances with its related parties follow *(in thousands)*:

Related Party	Year	*Note*	Amount of Transactions for the Year	Cash and Cash Equivalents/ Receivables	Due from Related Parties	Lease Liabilities	Due to Related Parties	Terms	Conditions
Under Common Control									
▪ Loans receivable									
Principal	**2021**	*a*	**P5,524,543**	**P -**	**P -**	**P -**	**P -**	Due on September 30,	Unsecured; Unimpaired
Interest	**2021**		**42,207**	**621,488**	**-**	**-**	**-**	2021; interest bearing	
Principal	2020	*a*	6,374,365	5,524,543	-	-	-	Due on September 30,	Unsecured; Unimpaired
Interest	2020		237,162	579,091	-	-	-	2020; interest bearing	
▪ Advances for working capital	**2021**		**-**	**-**	**-**	**-**	**363,146**	Due and demandable;	Unsecured; Unimpaired
requirements	2020		-	-	-	-	363,146	non-interest bearing	
▪ Management fees	**2021**	*d*	**32,018**	**-**	**-**	**-**	**-**	Due and demandable;	Unsecured
	2020		29,030	-	-	-	-	non-interest bearing	
▪ Rent income	**2021**	*e*	**121,603**	**-**	**-**	**-**	**-**	Due and demandable;	Unsecured
	2020		125,909	-	-	-	-	non-interest bearing	
▪ Rent payments	**2021**	*f*	**745,811**			**1,076,496**		Due and demandable;	Unsecured
	2020		216,311	-	-	3,216,435	-	non-interest bearing	
Associates									
▪ Concession fee expense	**2021**	*c*	**245,531**	-	-	-	-	Due and demandable;	Unsecured
	2020		382,544	-	-	-	-	non-interest bearing	
Stockholder									
▪ Advances for working capital	**2021**		**214,066**	-	**60,340**	-	**283,205**	Due and demandable;	Unsecured
requirements	2020		826,132	-	184,852	-	349,316	non-interest bearing	Unimpaired
▪ Royalty expense	**2021**	*g*	**57,336**	**-**	**-**	**-**	**45,868**	Due and demandable;	Unsecured
	2020		49,569	-	-	-	49,569	non-interest bearing	
Key Management Personnel									
▪ Short-term benefits	**2021**		**45,657**						
	2020		45,657	-	-	-	-		
Total	**2021**			**P621,488**	**P60,340**	**P1,076,496**	**P692,219**		
Total	2020			P6,103,634	P184,852	P3,216,435	P762,031		

a. Loans Receivable

In 2019, the Group through CHC granted loans Union Energy Corporation and League One, Inc., entities under common control, which are payable on September 30, 2020. The loans bear interest based on prevailing market rates agreed with the borrowers on a quarterly basis. Interest rates range from 2.0% to 4.8%. The loan to Union Energy Corporation was fully paid on December 29, 2020 while loan to League One, Inc. was rolled over for another year at market interest rate and paid on June 17, 2021.

b. Money Market Placements

The money market placements are with Philippine Bank of Communications, a local bank under common control.

c. 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 the Group through KMC, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

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

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) warehouses.

- 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) warehouses whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee's gross sales which was decreased to ten percent (10%) through an amendment of the contact on January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee's gross sales.

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

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

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the warehouses 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.

  On November 4, 2020, the Consignee assigned to the Consignor its lease of land located at 32nd Street, 5th Avenue, Bonifacio Global City, Taguig City with a lease term from January 10, 2012 until January 9, 2033.

d. Management Agreement

The Group entered into a management agreement with Puregold Realty Leasing and Management, Inc. (PRLMI), an entity under common control. Under the agreement, PRLMI shall handle the leasing and marketing, billing and collection, documentation, and property management services of the properties owned by the realty segment of the Group. In consideration of such services, the Group shall pay monthly management fee to PRLMI equivalent to 5.0% to 8.5% of rental collected by PRLMI. The agreement is valid for a year, and is renewable upon mutual agreement of both parties.

e. Lease Agreement - As a Lessor

The Group and PriceSmart entered into a lease agreement for the rental of land. The term of the lease is 23 years and renewable under such terms and conditions that shall be agreed upon by the parties.

f. Lease Agreement - As a Lessee

The Group entered into lease agreements mainly for stores and warehouses with various entities under common control. Lease terms range from 3 to 25 years and renewable under such terms and conditions that shall be agreed upon by the parties.

g. 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

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

Related Party Transactions and Balances Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation in 2021 and 2020 are as follows:

a Advances and trade receivables from the Parent Company to its subsidiaries

(In thousands)	**Outstanding Balance**
2021	**P5,164,451**
2020	P6,493,696

These advances are unsecured and with various terms. These are payable in cash. Interest income from these advances amounted to P182.9 million in 2020 and P88.8 million in 2019.

b Receivables from subsidiaries to their fellow subsidiaries

(In thousands)	**Outstanding Balance**
2021	**P2,482,122**
2020	P3,467,768

These advances are unsecured and with various terms. These are payable in cash.

c Sale of goods of the subsidiaries within the Group

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P3,083,452**	**P761,104**
2020	P2,220,832	P667,167

Receivables from sale of goods are non-interest bearing are generally on a 30-day credit terms.

d Sale of services of the subsidiaries within the Group

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P874,091**	**P51,524**
2020	P630,285	P119,582

Receivables from sale of services are unsecured, non-interest bearing are generally on a 30-day credit terms.

e Dividend income received by the Parent Company from dividends declared by its subsidiaries

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**2,235,887**	**P1,499,988**
2020	P884,890	P1,779,604

Cash dividends are due on payment date.

f Dividend income received by a subsidiary from dividends declared by the Parent Company

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P29,307**	**P29,307**
2020	P39,077	P39,077

Cash dividends are due on payment date.

g Management and arrangement fees charged by the Parent Company to its subsidiaries

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2019	P301,403	P443,403

Receivables from management and arrangement fees are non-interest bearing and are due and demandable and payable in cash.

h Right-of-use assets, lease liabilities and prepayments eliminated as a result of intra-group lease of properties

Right-of-Use assets

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P125,211**	**P2,208,947**
2020	135,608	2,846,183

Lease liabilities

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P432,701**	**P4,107,411**
2020	144,490	4,167,078

Prepayments

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2021	**P -**	**P -**
2020	P322,299	P1,398,837

i Loan receivable issued by the Parent Company to a subsidiary

(In thousands)	Amount of Transactions	Outstanding Balance
2021	**P412,928**	**P3,637,500**
2020	204,643	3,224,572

ANNEX "E"

cosco capital
incorporated

Sustainability Report
2021

CONTENTS

CONTEXTUAL INFORMATION

Name of Organization: Cosco Capital, Inc.

Location of Headquarters: No. 900 Romualdez St., Paco Manila 1007

Location of Operations: Nationwide – Philippines

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

cosco capital incorporated

Including all its subsidiaries namely;

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

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

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

Specialty Retail
Office Warehouse, Inc.

Business Model:
Including Primary Activities, Brands, Products and Services

Cosco Capital, Inc. is an investment holding company. It has a diversified portfolio of business interests in retail, real estate, liquor distribution, and other specialty business.

Reporting Period: 2021

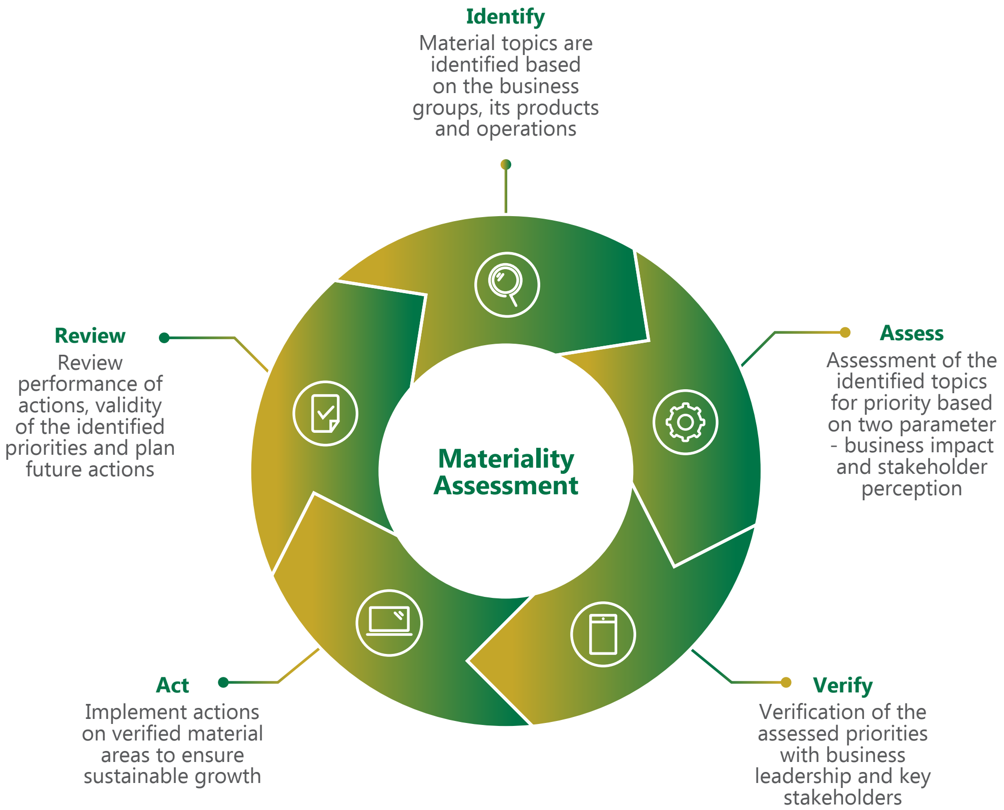
Highest Ranking Person responsible for this report:
John T. Hao
Investor Relations and Sustainability Officer

MATERIALITY PROCESS

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

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

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



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

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

Economic Contribution

Economic Contribution

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

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

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

Impacts and Management Approach

Contribution to local economic growth

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

Local livelihood enhancement

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

Building community welfare

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

Management Approach:

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

Risks and Management Approach

Market risks (competition, supply, credit, pricing)

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

Regulatory and Compliance Risk

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

Natural Disasters

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

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

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

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

Opportunities and Management Approach

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

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

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

Climate-Related Risks and Opportunities

Plastic Packaging

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

Food Waste

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

Energy Consumption

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

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

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

Anti-corruption

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

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

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

Impacts and Management Approach

Improved goodwill, Risk: Tarnishing of reputation

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

Management Approach:

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

Opportunities and Management Approach

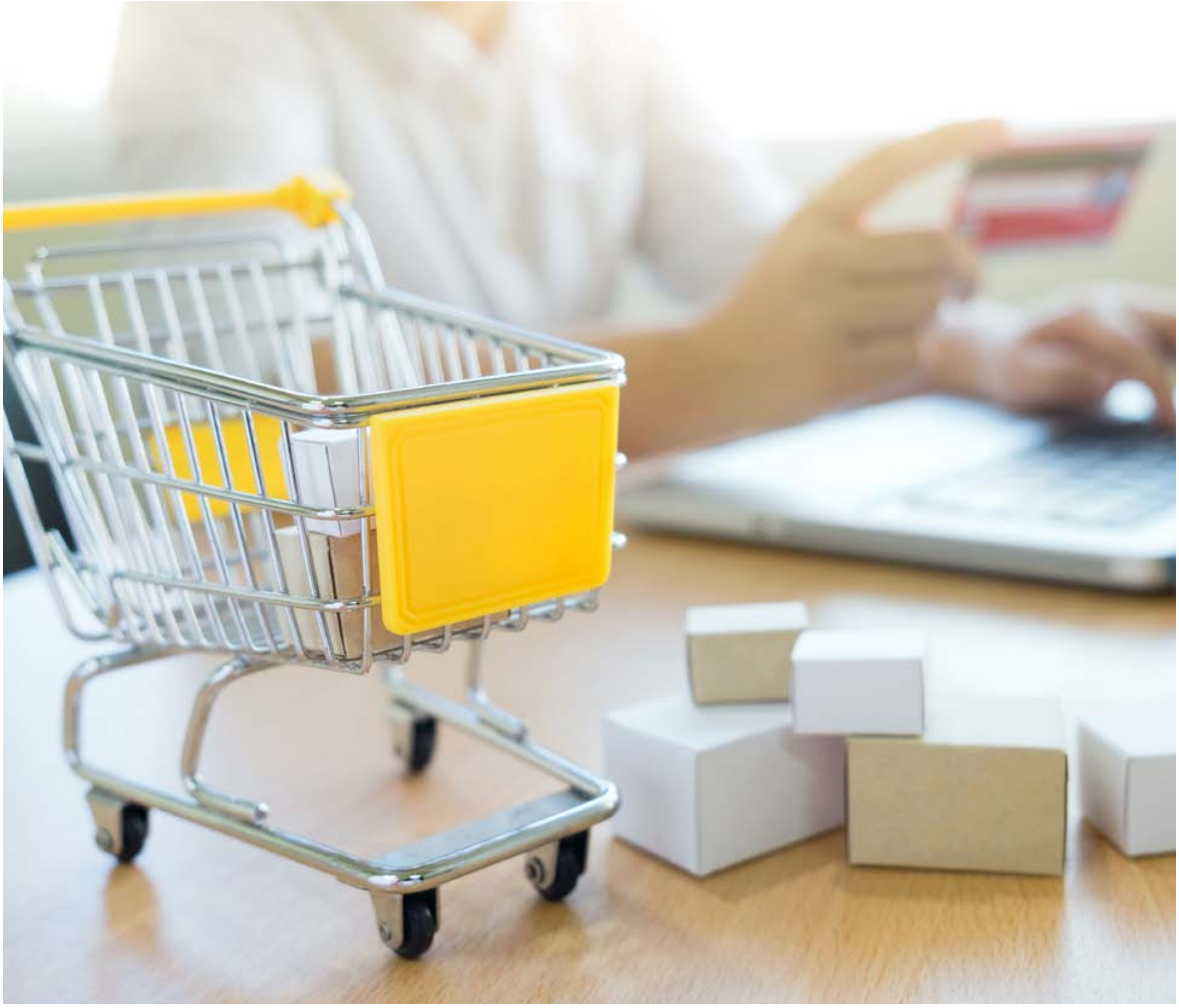
Readiness for newer, ESG-focused compliance requirements

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

Management Approach:

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

Procurement Practices



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

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

Impacts and Management Approach

Minimization of carbon footprint

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

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

Risks and Management Approach

Supplier non-compliance to / capacity building on ESG considerations

Cosco Capital seeks to integrate ESG incrementally into the group's activities completely in the long run. However, a potential risk associated with this is non-compliance of suppliers to ESG considerations that matter to the group. But the group also sees this as a potential opportunity to build local capacity and be a positive influence on the community.

Management Approach:
Along with the plan to integrate sustainability into the Group, Cosco Capital also seeks to prepare a capacity building plan for suppliers, in order to build their capacity on ESG matters and adherence to them.

Environment Performance

Resource Management

Energy Consumption within the Organization			
Disclosures	**Units**	**2020**	**2021**
Renewable Resources	GJ	13,025.59	28,448.60
Gasoline	GJ	4,794.28	9,205.51
LPG	GJ	191,240.39	69,355.01
Diesel	GJ	3,759.29	5,794.32
Electricity	kWh	331,177,376.16	449,654,452.50

The table above shows the energy consumption within the organization for the years 2020 and 2021.

- The year on year increase in diesel and gasoline consumption is largely a reflection of incomplete data collection in 2020. The group expects to address these challenges moving forward given the complete data set available for the current reporting period (2021)
- Energy consumption from renewable resources has increased in 2021 compared to 2020 because of the installation of rooftop solar units in more stores in the year 2021.

Impacts and Management Approach

Energy and Cost Efficiency

Energy consumption at the Cosco Capital group mainly stems from the use of electricity in the stores, gasoline and diesel for vehicles, and LPG used by tenants. By managing energy consumption in a responsible manner, the group can ensure minimal pressure on natural resources in surrounding communities and also achieve cost efficiency in the long run.

Management Approach:
The Operations team across businesses manages energy consumption and data monitoring at Cosco Capital. In the group's endeavor to switch to clean energy alternatives, rooftop solar units have been installed in 12 S&R warehouse clubs, and 12,682,357 KWH of electricity was produced from them as of November 2021. Additionally, all Puregold stores and S&R Warehouse clubs have adopted 100% LED lighting in 2021. Puregold targets a 5-10% energy reduction based on a 3-year rolling average, from gasoline, diesel, and LPG use in operations, as well as from its upcoming solar installations. Building ID lighting in Puregold stores was also shifted to LED starting 5 years ago.

Risks and Management Approach

Poor monitoring of energy consumption

Given the multiple business locations and the community lockdowns in the past couple of years, the collection and monitoring of energy data on a continuous basis had been affected. This affected our ability to monitor energy consumption data properly, and thereafter, to implement initiatives towards improving energy efficiency.

Management Approach:
An energy efficiency policy is being formulated and developed by the energy efficiency engineers at Puregold Price Club, with responsibilities that include preparing communication records, monitoring reports, audit reports, and documentation on energy reduction initiatives. Through this policy, the group seeks to monitor baseline energy use of each store. Additionally, an Energy efficiency and conservation plan will be drafted based on the requirements of the Department of Energy (DOE) Republic Act No. 11285 – the Energy Efficiency & Conservation Act.

Opportunities and Management Approach

Increase in renewable energy use

In the forthcoming years, the footprint of rooftop solar energy use is planned to be expanded much more, with installations in 5 stores for the S&R group being planned in 2022. This is planned to be extended to all stores in the next few years, and presents a great opportunity for the group to be a significant contributor of renewable energy use in the Philippines – this could create a positive influence on visitors to the stores and tenants.

Management Approach:
Policies and procedures for renewable energy use are being developed for all businesses. For instance, Puregold Price Club is developing such policies to establish targets to offset energy generation and assess current performance of stores using renewable energy.

Water Consumption within the Organization			
Disclosures	Units	2020	2021
Water Consumption	m^3	1,622,648.49	1,146,713.94
Water Recycled and Reused	m^3	720	25,411.75

The above table showcases water consumption in the years 2020 and 2021. Water consumption reduced marginally in 2021 as compared to 2020, because of the COVID-19 induced lockdowns. The difference in the figures for "water recycled and reused" is largely a reflection of incomplete data collection in 2020. The group expects to address these challenges moving forward given the complete data set available for the current reporting period (2021)

Impacts and Management Approach

Water savings

Water consumption is mainly for cleaning, toilet use, and drinking – across all the businesses. By implementing water saving initiatives across the group, Cosco Capital ensures that water availability in surrounding communities is not impacted adversely. Water efficiency also improves within the organization, making the employees more conscious about saving water.

Management Approach:
Rainwater catchment and grey water initiatives have been implemented in the Puregold business to reduce overall potable water demand, and rainwater harvesting has been introduced in two S&R stores as well. Seven stores in the Puregold group and one store under construction has provision for grey water.

Risks and Management Approach

Inefficient water management

Water conservation as a practice requires constant monitoring and adoption of behavior change; however, this was interrupted frequently due to the slew of lockdowns that happened in the past couple of years. A risk that resulted from this – which is present even now – inconsistency in behavior that affects adoption of water conservation as a culture.

Management Approach:
Similar to energy conservation, baseline water consumption is estimated by identifying water consuming systems in the operation, and identifying existing processes that affect water consumption. This helps analyze water consumption and identify areas where interventions are required with spontaneity.

Risks and Management Approach

Expansion of water recycling programmes

With time, Cosco Capital plans to expand its water recycling initiatives to all its businesses in order to achieve 100% reuse of water within the operations. This is a potential opportunity to reduce pressure on water bodies in surrounding areas, and also to inculcate water conservation as a culture into the group's operations.

Management Approach:

A water efficiency plan is underway (for the Puregold group), wherein protocols for proper use of water systems, monitoring of water consumption, procurement of water efficient products and services, maintenance of water systems, and conducting of water audits are specified. It also includes processes for communicating target reduction and water efficiency initiatives and monitoring and recording of the implementation plan.

Environmental Impact Management

Air Emission and GHG			
Disclosures	**Units**	**2020**	**2021**
Direct (Scope 1) GHG Emissions	Tonnes CO2e	11,785.34*	5,094.80
Energy indirect (Scope 2) GHG Emissions	Tonnes CO2e	209,304.10*	284,181.61

*Restatement of 2020 data: Scope 1 –11,785.34 Tonnes CO2e; Scope 2 –209,304.10 Tonnes CO2e
Instead of previously reported: Scope 1 – 13,914.21 Tonnes CO2e; Scope 2 – 102,382.52 Tonnes CO2e
The restatement was made due to the recalculation of source magnitude or quantity provided from previous report

Air Pollutants			
Disclosures	**Units**	**2020**	**2021**
NOX	kg	1.660000	0.000033
SOX	kg	N/A	N/A
Persistent Organic Pollutants (POPs)	kg	N/A	N/A
Volatile Organic Compounds (VOCs)	kg	N/A	N/A
Hazardous Air Pollutants (HAPs)	kg	N/A	N/A
Particulate Matter (PM)	kg	N/A	N/A

Impacts and Management Approach

Minimal pollution

Cosco Capital's emissions are mainly from its fleet of vehicles used for deliveries and energy consumption in stores and buildings. By reducing the release of hazardous / GHG emissions, the group can ensure minimal air pollution and health hazards for both people within the organization and in the communities surrounding group sites.

Management Approach:
All the businesses in the group implement initiatives to prevent GHG or hazardous emissions and mitigate them as far as possible. For instance, in Puregold stores, 60-80% of the chillers have been converted to the R400 series, which contain more environmentally-friendly hydrofluorocarbons.

Risks and Management Approach

Inefficient water management

Though Cosco Capital takes all measures to ensure minimal hazardous emissions, not monitoring emissions from obsolete / old equipment causes the risk of pollution.

Management Approach:
The Engineering and Maintenance team continuously monitors the efficiency of all equipment and emissions released by them; any issues are immediately identified and addressed by repairing / replacing the equipment in question.

Solid Waste			
Disclosures	**Units**	**2020**	**2021**
Total Solid Waste Generated	kg	3,807,924.33	5,565,462.09
Reusable	kg	16,562,812.78	1,203,000.00
Recyclable	kg	N/A	N/A
Composted	kg	576,421.99	900,000.00
Incinerated	kg	N/A	N/A
Residuals / Landfilled	kg	N/A	N/A

Hazardous Waste			
Disclosures	**Units**	**2020**	**2021**
Total Weight of Hazardous Waste Generated	kg	175,405.08	297,050.16
Total Weight of Hazardous Waste Transported	kg	12,756.38	220,674.56

Effluents			
Disclosures	**Units**	**2020**	**2021**
Total Volume of Water Discharges	m^3	1,290,322.90	1,022,588.25
Percent of Wastewater Recycled	%	2.8	3

The tables above show the amount of solid waste and hazardous waste generated in 2020 and 2021.

While there was a sizeable increase in solid waste generated, resulting from the easing of lockdowns towards the festive season of 2021, the reduction in reusable waste was a result of more waste being composted.

The amount of hazardous waste increased as a result of increased volumes of busted bulbs, used oils, and electronic wastes generated in 2021. However, the volume of water discharges decreased owing to wastewater recycling.

Impacts and Management Approach

Prevention of health hazards / pollution

Solid wastes generated by the Cosco Capital Group are quite diverse, and hazardous waste comprises BFL, used oils, batteries, and electronics. Responsible management of solid, hazardous, and liquid wastes by Cosco Capital ensures lesser impact of fumes and odor from this waste on the people handling it, as well as on surrounding communities. This also prevents resultant health hazards among people.

Management Approach:
All businesses have implemented several initiatives on waste reduction and recycling and wastewater recycling, to minimize negative environmental impact. Here are some examples:

1. S&R group has introduced a recycling program to reuse and resell carton boxes and plastics, to use recyclable containers for oils, to deploy reusable plates and cutlery in the food service program, and stopped the purchase of plastic since the second half of 2021. S&R also has 22 wastewater treatment facilities that are compliant with the Clean Water Act.
2. Puregold stores decreased plastic bag usage by 38% in 2021 comparing to the previous year, with 63% of stores using paper bags, and the remaining 37% using biodegradable plastic bags. Puregold Price Club also has 135 wastewater treatment facilities that are compliant with the Clean Water Act.

Risks and Management Approach

Risk of improper management of solid / liquid wastes

Improper management of solid / liquid wastes could lead to adverse environmental and health impacts on the people within the Cosco Capital group as well as communities surrounding the business.

Management Approach:
A solid waste management plan is being developed by various businesses including Puregold Price Club Inc, setting a waste reduction target, reviewing existing policies and procedures on waste management and performing a waste audit covering sources of waste in project operations, types of waste generated, and amount of waste generated.

Opportunities and Management Approach

Risk of improper management of solid / liquid wastes

Expanding waste recycling initiatives across the group is a definite, profitable opportunity for the group, since it signals cost efficiency in the long run due to reduction in costs of transporting waste, as well as positive environmental impact.

Management Approach:
A group waste management strategy will be put in place, which lays out a work plan for achieving minimal waste generation / waste recycling at all business units.

Environmental Compliance

Non-compliance with Environmental Laws and Regulations			
Disclosures	**Units**	**2020**	**2021**
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	PHP	180,000	87,500*
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	#	1	1
No. of Cases Resolved through Dispute Resolution Mechanism	#	3	10

*Violations are from 2015, 2017 and 2019 cases

Impacts and Management Approach

Protect the Environment and Resources/ Compliance Obligations

Non-compliance with Environmental Laws and Regulations has an important impact to the protection of environment and its resources that may affect the stakeholders. Violation of environmental laws is just a consequence of damage already committed against the environment. Inability to address this will pose a risk to environment and company's reputation.

Management Approach:
The group consistently keeps on identifying the cause of the violation and resolve it with immediate and permanent compliance. The group aims to enhance further its policies and practices to ensure protection of its environment and resources.

Risks and Management Approach

Risk of improper management of solid / liquid wastes

To promote awareness, Cosco will continue the dissemination of information to all its employees, contractors, suppliers and other stakeholders on the importance of environmental laws and regulations, preventing future incidents of non-compliance and violations

Social Responsibility

Employee Management

Employee Hiring and Benefits, Employee Data			
Disclosures	**Units**	**2020**	**2021**
Total Number of Employees	#	11,331	11,647
a. Number of Female Employees	#	6,383	6,594
b. Number of Male Employees	#	4,948	5,053
Attrition Rate	% Rate	14.98	13
Ratio of Lowest Paid Employee Against Minimum Wage	Ratio	0	0

The table above shows the proportion of male and female employees in the organization. The group has a higher female workforce and follows a strict non-discrimination policy across its employee lifecycle. The group also observed a healthy drop in attrition rate during the year.

The table below shows the list of benefits availed by employees in the years 2020 and 2021 and there were no significant changes in these numbers in these two years.

List of Benefits	% of Female Employees Who Availed for the Year		% of Male Employees Who Availed for the Year	
	2020	2021	2020	2021
SSS	22.2	19	14.27	17
PhilHealth	2.12	1	0.65	0
PAG – IBIG	0	17	0	14
Parental Leaves	1.98	1	1.96	1
Vacation Leaves	93.80	78	90.17	82
Sick Leaves	93.80	77	89.83	80
Medical Benefits	55.12	57	27.25	37
Housing Assistance	0	0	0	0
Retirement Fund	0	0	0	0
Further Education Support	0.26	0	0.04	0
Telecommuting	0.02	0	0	0
Flexible – Working Hours	33.94	9	32.05	6

Impacts and Management Approach

Employee welfare

The attrition rates at Cosco Capital are directly impacted by the way they are treated at the workplace; and this impacts both their productivity and the group's relationship with them. Cosco Capital's employee benefit structures are designed to foster employee satisfaction and retention.

Gender Balance

Cosco Capital has a strict stand against discrimination by gender or any other grounds at the workplace. This helps maintain a healthy gender balance in the group's businesses.

Management Approach:
The Human Resource team is responsible for all matters related to employee satisfaction and development. The group HR policy governs and prescribes guidelines with regard to this. Under the mandate of the group HR policy, some of the key aspects covered include:

- Company Safety Policies
- Drug Free Workplace Policy
- Mental Health Policy
- Paternity Leave Policy
- Company Policy and Rule on HIV / AIDS / STD

Risks and Management Approach

Poor Employee Engagement

During the pandemic, establishing a moral and physical connect with all employees turned out to be very challenging. This led to the very plausible risk of poor employee engagement.

Management Approach:
During the past two years, the group put in all efforts to keep employee interaction ongoing, including online sessions to keep conversations active. All the employees in the group reached out to each other during times of crisis, and employee morale sustained throughout this challenging period.

Opportunities and Management Approach

Improving employee retention

Cosco Capital has a clear objective towards improving employee retention, and also to improve its rankings on popular forums on the parameter of being the “best place to work” / “best work culture”.

Management Approach:
The group seeks to do this by strengthening the benefits program over and above legal / compliance requirements, and tailoring support towards employee needs and requirements.

Employee Training and Development			
Disclosures	**Units**	**2020**	**2021**
Total Training Hours Provided to Employees			
a. Female Employee	Hours	36,800	175,470
b. Male Employee	Hours	28,352	123,674
Average Training Hours Provided to Employees			
a. Female Employee	Hours/Employee	5.77*	27
b. Male Employee	Hours/Employee	5.73*	24

*Restatement of 2020 data: Ave. Training Hours a. Female Employees – 5.77 hrs/employee b. Male Employees – 5.73 hrs/employee
Instead of previously reported: a. Female Employees – 112 hrs/employee b. Male Employees – 112 hrs/employee
The restatement was made due to the recalculation of the data in 2020 based from GRI Standards.

The table above shows the total number of training hours provided to employees. These numbers increased significantly in 2021 as compared to 2020, as a result of training programs resuming after the pandemic as the company converted training materials for virtual trainings instead of in-store and physical trainings.

Risks and Management Approach

Improved employee productivity

By providing suitable training to employees, the group ensures that their knowledge and skills are continuously updated – leading to improved productivity of employees and better performance at work.

Management Approach:

Both specific, department wise training, and general trainings were provided to employees – depending on the types of roles they perform. E.g. disaster preparedness training is provided to all employees, whereas anti-theft / shoplifting training is provided to store employees These help them apply learnings on the job as well as build their personal knowledge base.

Risks and Management Approach

Discontinuity of trainings due to pandemic

The continued lockdown periods created the potential risk of discontinuity in training programs, leading to the danger of employees not learning skills required to perform their jobs.

Management Approach:

As far as possible, training materials designs were converted for virtual trainings during the pandemic; and since store-based trainings continued even during the pandemic, this did not turn out to be a huge risk for the retail wing. In the future, there are plans to digitize all learning materials with audio-visual demos, in order to ensure their portability.

Opportunities and Management Approach

Personalized training programs

With time, the Cosco Capital group seeks to introduce personalized training programs for employees that help garner mutual benefits for both employees and the organization. The design of these programs would be to help employees with individual career progression and performance improvement.

Management Approach:

A needs assessment of the training requirements of various employees will be conducted followed by curation of a list of training programs (online) that employees can choose from. Thereafter, expert opinion on the content of each of these training programs will be obtained – and modules developed internally or sourced externally depending on feasibility.

Labor – Management Relations			
Disclosures	**Units**	**2020**	**2021**
% of Employees Covered with Collective Bargaining Agreements	%	N/A	N/A
Number of Consultations Conducted with Employees Concerning Employee – Related Policies	#	2	0

Diversity and Equal Opportunity			
Disclosures	**Units**	**2020**	**2021**
% of Female Workers in the Workforce	%	56.33	57
% Male Workers in the Workforce	%	43.67	43
Number of Employees from Indigenous Communities and/ or Vulnerable Sector*	#	123	238

Impacts and Management Approach

Gender Balance

Cosco Capital has a strict stand against discrimination by gender or any other grounds at the workplace; and the group never allows any parameters to come in the way of recruitment, as well. This helps maintain a healthy gender balance in the group's businesses, and also aids in retention of both male and female employees.

Management Approach:
The Company has a number of policies that support women at the workplace:

- Breastfeeding Policy
- Maternity Leave Policy
- Leave for Victims of Violence Against Women
- Policy against Sexual Harassment
- Solo Parents Policy
- Policy for Special Leave for Women

Risks and Management Approach

Risks of incidents of discrimination

Given the number of branches that every business has, there is a potential risk of incidents of discrimination going unnoticed. This could tarnish the reputation of the group as a reputed workplace and affect employee retention in the long run.

Management Approach:
As per the policies highlighted in the above sections, strict actions against discriminatory acts are taken as per the law. These grievances are monitored on an everyday basis and escalated quickly for action, not providing scope for repetition of any of such acts.

Opportunities and Management Approach

Inclusive Hiring

Right now, Cosco Capital does not engage in any specific hiring based on inclusivity and there is no discrimination in hiring. However, in future, the group seeks to reserve a percentage of its roles for special groups such as single / disabled men / women, people from multicultural communities, etc.

Management Approach:
A stock-taking exercise of existing roles that can be filled by people from diverse backgrounds will be conducted; and thereafter, an official policy on inclusive hiring will be released on the public domain.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety			
Disclosures	**Units**	**2020**	**2021**
Safe Man-Hours	Man-Hours	26,559,864*	28,323,984
No. of Work – Related Injuries	#	7	4
No. of Work – Related Fatalities	#	0	0
No. of Work – Related Ill-Health	#	0	84
No. of Safety Drills	#	420	249

*Restatement of 2020 data: Safe Man-Hours –26,559,864 Man-Hours. Instead of previously reported: Safe Man-Hours – 42,997,803 Man-Hours. The restatement was made due to Safe Man-Hours recalculation

The table above shows safety data for the years 2020 and 2021. While safe man-hours increased in line with the country opening up post the pandemic, the number of work-related injuries dropped. However, the number of work-related ill health instances increased significantly as a result of the second wave of the COVID-19 pandemic.

Impacts and Management Approach

Zero Injury Workplace

By following safety protocols in a strict manner, the Cosco Capital Group is rapidly moving towards creating a zero-injury workplace. This has not been achieved so far; however, the group plans to get there in the future. This will ensure a safer and more comfortable work environment for workers and increase their trust and loyalty in the group.

Management Approach:
There are Safety Policies for every business, with clauses specified for each business's context. For instance, the Puregold Price Club's Safety Policy specifies employee and supervisor responsibilities, safety precautions per work area (offices, store / selling area, warehouse area, and electrical room). The business also has a COVID-19 Safety Manual, which specifies new normal safety and preventive practices at work and defines how COVID is transmitted so everybody could work together towards its prevention. In addition to this, the Puregold business has a Critical Incident Management Manual that specifies the organizational structure for managing such critical incidents, the Incident Command System, Evacuation and Relocation procedures, Damage Assessment and Recovery methods, and an Emergency Management Cycle.

Risks and Management Approach

Hiccups to integrating safety as a culture

As already highlighted in some of the previous sections, there were a lot of hiccups to training programs in general and safety related drills during the pandemic, posing the risk of employees not following protocols accurately. In the long run, this also jeopardizes the integration of safety as a culture in the group.

Management Approach:
Safety drills are an ongoing practice at Cosco Capital and its associated businesses, and safety seminars are a part of the orientation program for all employees. For instance, the S&R business has the following safety training programs in place under the RMD program:

- 8 hours health and safety seminar for all employees
- Fire Incident and Safety Orientation for Food Service and Quick Service Restaurants
- Safety Orientation for Newly Hired Employees of QSRs and Food Service
- Fire Drills and Seminars for Distribution Centers and Warehouses
- Creation of Emergency Response Team for DCM
- Creation of Health and Safety Committee for DCM
- Monthly Health and Safety Meeting
- Bi-Annual Security and Safety Audit

The group also aims to institutionalize such mandatory topics through digital and self-paced learning approaches moving forward to take pandemic related issues out of the equation.

Labor Laws and Human Rights			
Disclosures	**Units**	**2020**	**2021**
No. of Legal Actions or Employees Grievance	Man-Hours	26,559,864*	28,323,984

No. of Legal Actions or Employees Grievance			Reference in Company Policy
Topic	2020	2021	
Forced Labor	No	No	
Child Labor	No	No	
Human Rights	Yes	Yes	Anti-sexual Harassment Policy Company Policy & Rule on STD/HIV/AIDS, Drug-Free Workplace Policy

The above table shows that there were zero incidents of grievance involving forced or child labor – though guidelines on these are not specifically spelled out in any of the workplace policies. The same policies highlighted in the workplace policies section also govern labor laws and human rights; therefore, the management approach for this topic is also similar.

Supply Chain Management

Supplier Accreditation Policy:
ANNEX 1 SUPPLIER ACCREDITATION POLICIES AND PROCEDURES

Sustainability Topics when accrediting Suppliers	2020	2021	Reference in Company Policy
Environmental Performance	No	No	
Forced Labor	No	No	
Child Labor	No	No	
Human Rights	No	No	
Bribery and Corruption	No	No	

The table above shows that none of the ESG topics listed is covered in supplier accreditation policies and procedures.

Impacts and Management Approach

Sustainable Supply Chain

By ensuring that suppliers meet sustainability standards, the group can establish the presence of ESG standards throughout the value chain. This will ensure that the highest ESG standards are maintained in all products and services offered by the group.

Management Approach:
The group plans to launch a supplier ESG policy wherein standards to be met by suppliers on environmental, economic, and social aspects are specified and communicated to all suppliers. Thereafter, capacity building will be carried out for these suppliers to bring them up to speed on these criteria and the criticality of following them.

Risks and Management Approach

Supplier non-compliance to ESG parameters

A definite risk that the Cosco Capital Group foresees is supplier non-compliance to ESG parameters, either because of lack of awareness, lack of willingness or lack of capacity to invest in related actions. This could affect Cosco Capital's objectives to integrate ESG into the value chain.

Management Approach:
Given that Cosco Capital's suppliers are extremely diverse, largely local and have been used to a certain way of operation, bringing them on board for adoption of ESG parameters takes a lot of investment in terms of time and resources. So the group shall take a measured and progressive approach to foster adoption of sustainable practices. The group seeks to start a supplier ESG screening process at a basic level, followed by incremental application of these screening criteria to tier 1, 2, and 3 of the supply chain as years progress.

Opportunities and Management Approach

100% Local Procurement

Currently, around 93% of all material is obtained locally. In future, Cosco Capital seeks to shift to 100% local procurement in order to foster sustainability and also to encourage local suppliers.

Management Approach:
An assessment of current products that are sourced from abroad will be conducted, in order to replace them with similar quality, local alternatives that can be bought from local suppliers. Though some products are exclusively sourced from abroad to meet the needs of customers, these will be re-assessed in the near future – and, if not replaced, will at least be sourced with minimal carbon footprint (ex: sea travel instead of air).

Relationship with Community

Operations with significant impacts on local communities	Location	Vulnerable groups	Impact on Indigenous people	Collective/ individual rights	Mitigating measures or enhancement measures
Use of plastic	Some stores	N/A	No	N/A	We comply with LGU regulations that prohibit the use of plastic as packaging for items bought from the supermarkets. We are promoting the use of eco-bags or recyclable bags in our stores. We are studying more ways we can address this problem.
Food Waste	All stores	N/A	No	N/A	The company is complying with the Solid Waste Act. But it is in the process of establishing its Food Waste Management Program to address this material topic.
Water Usage	All stores/ offices	N/A	No	N/A	The company is complying with the Philippine Clean Water Act of 2004. The company has existing programs in water conservation, water re-use program of treated wastewater, and the use of rainwater for cleaning our facilities.
Food Safety	All stores	N/A	No	N/A	The company has a systematic way of tracking expired or near expiry merchandise. However, we are drafting a Food Safety Policy to address this material topic.
Fleet Fuel Management	All stores	N/A	No	N/A	The company is preparing an Energy Management Policy to address this topic.
Environmental and Social Impacts in the supply chain	All stores	N/A	No	N/A	The company will adopt an effective Supply Chain Management Policy to address this material topic.
Data Security	All stores/ offices	N/A	No	N/A	The company has implemented a Data Privacy Policy in compliance with existing Data Privacy Law and is regularly reviewing areas of improvements and effectiveness.
Air Emissions for Refrigeration	All stores	N/A	No	N/A	The company is preparing an Environmental Compliance Policy to address this topic.
Labor Practices	All stores/ offices	N/A	No	N/A	The company is compliant with labor laws. But the company is still preparing for a comprehensive Labor Practices Manual to address this material topic.
Energy Management	All stores	N/A	No	N/A	The company is preparing an Environmental Compliance Policy to address this topic.

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

Customer Management

Health and Safety			
Disclosures	Units	2020	2021
No. of Substantiated Complaints on Product or Service Health and Safety*	#	120	312
No. of Complaints Addressed	#	120	312

Marketing and Labeling			
Disclosures	Units	2020	2021
No. of Substantiated Complaints on Marketing and Labelling*	#	172	80
No. of Complaints Addressed	#	172	80

The tables above show the number of complaints on product health and safety and marketing and labeling. The number of complaints have opposite performance on these two aspects relative to 2020.

Impacts and Management Approach

Customer trust and goodwill

Over time, stocking up / investing on only high-quality products and engaging in transparent branding and marketing will ensure increased customer trust and goodwill in the business, and ensure business survival in the long run.

Management Approach:

The Group has strict quality standards that need to be met by all suppliers, for all businesses including the retail and food service group. There has been a spike in the number of complaints on health and safety in 2021; however, the Group is doubling its efforts to ensure that no product negatively impacts the health of customers.

Risks and Management Approach

Jeopardy to customer health and safety

As highlighted in the data, there have been several complaints of customer health and safety in the past year. Such incidents could affect the well-being of the customers and also affect the group's reputation, threatening the standing of the business in the long run.

Management Approach:

For the retail and the food service business which face the utmost danger of customer complaints on health and safety, the Group is preparing a Food Safety program to specify standards for suppliers and to ensure correct information is displayed on products. Strict compliance to expiry dates shall be implemented when it comes to display of products.

Opportunities and Management Approach

Introduction of customer feedback surveys

In the very near future, the Cosco Capital group seeks to introduce customer satisfaction surveys that help obtain an idea of actual public opinion on the quality of the group's products and services. While market opinions are currently monitored in an informal manner, the group seeks to formalize this in the future and introduce a structured survey to measure such opinions.

Management Approach:

A consultant / third party expert will be hired to conduct the customer feedback survey every year, wherein structured questionnaires are used to assess customer opinion. In the long run, this will be converted into an in-store experience / group-driven endeavor wherein the customer uses an app to fill in their feedback on the spot.

Customer Privacy			
Disclosures	Units	2020	2021
No. of Substantiated Complaints on Customer Privacy*	#	1	0
No. of Complaints Addressed	#	1	0
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	#	0	0

Data Security			
Disclosures	**Units**	**2020**	**2021**
No. of Data Breaches, including Leaks,	#	1	1

There was one breach of customer / data privacy in 2021 (in the S&R business), which is described below:

On Nov. 14, 2021, a data security breach involving a total of 22,000 entries of personal information were leaked. However, this did not contain any financial information. The said incident was reported to NPC within the prescribed period of seventy-two (72) hours of getting to know about the breach. The breach affected the email service, membership, and other service programs. The Point-Of-Sale system, financial and operations systems (eg. ERP) were unaffected, which allowed the company to continue operations. The breach was done through a new generation of ransomware attacks wherein the threat actors demanded a ransom amount that the company did not subscribe to. Post this incident; the S&R business intensified existing security controls and measures to prevent such events in the future. The company rebuilt the affected systems with improved features and put in place stronger security practices.

Impacts, Risks and Management Approach

Customer Trust

Safe storage and usage of customer data by the group will lead to increased customer trust in the business, because of their belief that their data is in safe hands. This will increase their loyalty in the business and bring repeat customers to the business. Breaches in data privacy could have a serious impact on the business's reputation.

Management Approach:

The group adheres to the principles of Data Privacy Act (RA 10173) and comply with the best data privacy practices sanctioned in its Implementing Rules and Regulations and Memorandum Circulars issued by the National Privacy Commission.

Cosco Capital Data Privacy Policy https://www.coscocapital.com/corporategovernance.do?category_id=18252

Opportunities and Management Approach

Introduction of customer feedback surveys

In the future, the group seeks to use customer data in a positive manner, to customize the services offered by the group to each individual customer.

Management Approach:

This program wherein data is used optimally for customer satisfaction is the most relevant in the store-based businesses, where customers keep coming back. A system will be designed such that with prior customer consent, deals that go beyond general discounts and offer customized packages to customers based on what they buy will be put in place, to help them obtain a memorable experience while shopping with the group stores.

LINKAGE TO THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Economic Contribution

1 NO POVERTY | 8 DECENT WORK AND ECONOMIC GROWTH | 13 CLIMATE ACTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Php 4.25B
Taxes paid to the Government

97%
of Cosco economic value generated distributed to key stakeholders

Php 10.7M
Invested to scholarship and community development

Php 3B
Employee wages and benefits

11,647
Total no. of direct employees >95% local hiring

0
Incidents of Corruption

Environment Performance

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

157
Wastewater treatment facilities compliant with Clean Water Act

2%
Clean energy used. Solar rooftop installation in **12** stores.

57%
Direct GHG Emissions Reduction

99.97%
Compliant to Environmental Laws & Regulations

100%
of Puregold and S&R stores were converted to LED lamps.

100M
Reduction of plastic bags used in Puregold and S&R stores. 63% Puregold stores use paper bags.

Social Responsibility

4 QUALITY EDUCATION | 5 GENDER EQUALITY | 10 REDUCED INEQUALITIES

753
Scholars graduated **107** Passed licensure exam **381** Current no. of scholars

56%
Female employees in the workforce

238
Employees from indigenous communities and vulnerable sector

4,325
Employees attended technical and behavioral skills training

612
Employees in Puregold and S&R promoted

0
legal actions or employee grievance on forced or child labor

Product or Service Contribution to UN SDGs

1 NO POVERTY

Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

Cosco's retail business continues to touch the lives of countless people by introducing inclusive social programs for small and medium-sized enterprises (SMEs) across the country. Not only do the programs generate a sustainable means of livelihood for members, it also supports the micro-economy where these businesses thrive. With the absence of the programs, the possibility to nurture their livelihood opportunities may no longer be achieved and might eliminate the possibilities to create an improvement in their businesses.

Potential Negative Impact of Contribution

The company will continue to provide programs that will generate a sustainable means of livelihood for TNAP members such as educational programs that will serve as an avenue for the company to share its expertise to small business owners.

Puregold will ensure that they will also support the micro-economy where a large percentage of TNAP members thrive their businesses.

Puregold will continue to hosts annual conventions for Tindahan ni Aling Puring (TNAP) and KAINdustriya members to learn, collaborate, and even elevate their business goals.

4 QUALITY EDUCATION

Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

LCCK Foundation Inc. created scholarship programs for gifted but underprivileged and deserving students. The company strongly believes that they can make a difference to the lives of the youth through the education programs developed under the foundation. If the foundation stops providing scholarship to its beneficiaries, students won't be able to have an access to quality education and quality life.

Potential Negative Impact of Contribution

The foundation will ensure that the beneficiaries will be able to recognize the value of education by being a ticket to a better life and future by continue providing scholarships to them.

Strengthen the partnership with the Universities and Local State Colleges to reach out the youth. Strengthening the commitment will also be observed by implementing and supporting activities set by the foundation to provide the beneficiaries a quality education and a quality life.

Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

Potential Negative Impact of Contribution

As a company engaged in a highly competitive field, Cosco Capital Inc. supports a diverse workforce and aims to achieve a fair work environment for all of its employees. Even if the company practices and observes gender equality within the workplace, it is still unavoidable and might create more problems if not resolved immediately.

Potential Negative Impact of Contribution

Encourage and ensure women's full and effective participation and equal opportunities within the company to promote diversity.

All employees should have an access and enjoy the same rewards, resources and opportunities regardless of its gender.

Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

The company's retail sector has made an enormous investment in promoting clean water and sanitation in most of its branches. Without access to clean water and sanitation, employees and customers might link to a transmission of several diseases, which are among the leading causes of mortality and morbidity.

Potential Negative Impact of Contribution

Improve efforts toward water treatment, and the industrial water recycling by continuing to establish sewage treatment plants compliant with the standards set by the Department of Environment and Natural Resources.

The company shall abide by the provisions of Republic Act No. 9275 or the Clean Water Act.

Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

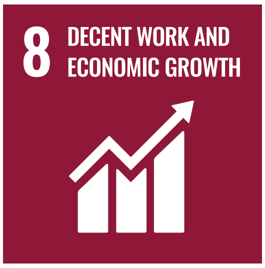
The production process of solar energy which generates a small amount of hazardous materials.

Refrigerants and AC used in branches that emits hazardous elements that might contribute to climate change.

Potential Negative Impact of Contribution

Activities will be implemented in order to manage the amount of hazardous material carefully, to prevent health and environmental problems.

In terms of reducing greenhouse gas emissions, ACs and refrigeration are being converted and upgraded to climate-friendly refrigerants.



Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

Potential Negative Impact of Contribution

As the COVID-19 pandemic took over the world, Cosco Capital, Inc. continues to provide their employees with decent work opportunities since thousands of its employees depend on the company for their jobs and livelihoods. If the company does not provide them with decent work, the lives of these employees and their families will not improve, and they will most likely to suffer from poverty, inequalities, and even abuse during this time of pandemic.

Potential Negative Impact of Contribution

The company will continue providing decent jobs for all of its employees by developing their skills, paying them a living wage so that they can have the capability to provide the needs of their families.

The company will ensure all employees are covered with benefits mandated by law, and their safety and security are protected.

The company will continue to expand and create more decent jobs to help the economy to grow further.

Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

Inequality is a major obstacle to a sustainable economic growth. The company is working on ways to contribute to reducing inequalities by hiring employees from vulnerable sector such as Persons with Disabilities (PWD) and Single-Parents. If the company does not provide them the opportunity, they will not be able to provide the needs for their families and potentially deprive them to become a part of an inclusive culture where they can show their full potential.

Potential Negative Impact of Contribution

The company shall provide the vulnerable sector with an access to same rewards, benefits, resources, and opportunities to promote equality in the workplace.

Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION

Potential Negative Impact of Contribution

The company potentially contributes to the world's problems of food waste, greenhouse gas emissions, and even the increasing cases of obesity.

Considering its rapidly growing operations, Cosco Capital recognizes the impact it has on the environment. The company has taken measures to prioritize the efficient management of its resources. Converting lighting to Light Emitting Diode (LED) lighting fixtures is one of the activities that the company does to ensure our sustainable consumption.

Potential Negative Impact of Contribution

Our company is the market for manufacturers and consumers. We are in position to demand or influence responsible and sustainable consumption and production from each side.

The company shall take advantage of such a role to promote responsible consumption and production. It is in a position to require its suppliers to be sustainable and encourage its consumers to change their shopping and eating behaviors and make them more inclined to support sustainable products and to eat healthier food.

The company has taken an active step to convert 100% of its properties with LED to reduce its carbon footprint and contribution to greenhouse gas emissions.

Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

Potential Negative Impact of Contribution

The use of plastic bags as a package container of our customers when they buy items from our store;

Food waste and other solid waste from processing food in our stores;

Fuel consumption of our stores and the fleet of vehicles we use to transfer our merchandise, including the vehicles used by our third-party logistics and suppliers.

All contribute to various levels of air, water, and land pollution.

Potential Negative Impact of Contribution

The company is in a position to require its suppliers to be sustainable and encourage its consumers to change their shopping and eating behavior and make them more inclined to support sustainable products and to eat healthier food.

As our business is located in a third- world country and even along the path of several storms every year; it is very vulnerable to experience the effects of climate change.

Thus, we must manage our business activities to a level that has the minimum damaging impact on our environment by investing in low- carbon development and practicing recycling and even promote recycling to its customers, suppliers, and in the communities where it operates.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Societal Value/ Contribution to UN SDGs

Key Products and Services

RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

Potential Negative Impact of Contribution

Cosco Capital Group supports the concept of having a good corporate governance to support the long-term success and sustainability of the business. There has been no record of any incident of corruption or bribery involving the Company's directors which proves that it has good corporate governance since its policies regarding corruption have been communicated properly to the directors and employees of the company. But, high rank employees are at risk of corruption as long as the opportunity to do so exists in the organization.

Potential Negative Impact of Contribution

The company shall commit to being more effective in its internal controls to purge opportunities to commit corruption or fraud.

The company shall enhance anti-corruption policies and procedures and train employees to abide by it.

The company shall continue with the orientation and strict implementation of anti-corruption policies and procedures.

ANNEX 1 SUPPLIER ACCREDITATION POLICIES AND PROCEDURES

PUREGOLD	SUBJECT TITLE: **SUPPLIER ACCREDITATION POLICIES & PROCEDURES**
1.0 OBJECTIVES	1.1 To provide policies and processes for supplier selection and requirement for accreditation to be strictly complied with by the authorized company personnel. 1.2 To ensure to establish lasting relationship with the accredited suppliers who are capable to maintain the standard quality of products and services.
2.0 SCOPE	2.1 This document covers the policies and processes for SUPPLIERS OF TRADE MERCHANDISE particularly on the: 2.1.1 Selection and Accreditation 2.1.2 Information Updates and Maintenance 2.1.3 Performance Evaluation 2.2 This is applicable only to all Puregold Price Club, Inc. stores.
3.0 POLICIES	3.1 The Company upholds honesty, integrity, and fairness in all aspects of its business and expects the same in its relationships with its Suppliers. The highest ethical standards shall be employed in all procurement transactions, and Suppliers shall be chosen based on procurement policies and defined selection criteria. 3.2 The responsibility in inspection, appraisal and accreditation of potential Supplier shall be carried out by Merchandising Department. The Personnel In-Charge shall have the qualifications and capabilities to evaluate the eligibility of the suppliers to beaccredited. 3.3 Merchandising Manager is expected to select the best possible sustainable supplier and to effectively achieve the set objectives. Selection of potential suppliers are determined and identified based on a set of parameters. These parameters include but are not limited to the following factors 3.3.1 Quality of Product 3.3.2 Logistics Service (supply chain, delivery methods and timeframe) 3.3.3 Competitive pricing 3.3.4 Communication 3.3.5 Safety requirements 3.3.6 Marketing / promotional activities 3.4 Results of the assessment based on the defined criteria and agreed terms and conditions for selected supplier shall be documented in Product Evaluation Form (PEF). The PEF indicating the selected supplier shall be approved by the authorized Approver from the President's office. 3.5 For suppliers under Consignment or Concessionaire terms, Offer and Acceptance Sheet must be accomplished and approved by the authorized approver from the President's office. The sheet must be duly signed by the Consignment/ Concessionaire supplier representative. 3.5.1 All signed acceptance sheet must also have an attached signed Rules and Regulations on Consignors or Concessionaires. A copy of Acceptance sheet and rules and regulation should be given to Concessionaire/Consignor for guidance. 3.6 All accredited suppliers should have a Vendor Information Sheet (VIS), completely accomplished by the Supplier's Authorized Representative and duly approved by the corresponding Senior Merchandising Manager. Approval from the Senior Merchandising Manager assures that the supplier information and details written in VIS are valid and required documents are completely obtained.

PUREGOLD

SUBJECT TITLE:
SUPPLIER ACCREDITATION POLICIES & PROCEDURES

The following are the required documents from the selected supplier of which photocopies are required to be submitted and attached on the VIS
3.6.1 BIR Certificate of Registration (COR)
3.6.2 Business Permit
3.6.3 Company Profile
3.6.4 Sales Invoice with Authority to Print (ATP)
3.6.5 Collection Receipt or Official Receipt with ATP
3.6.6 Other documents required by Finance Department

3.7 A vendor code is created in the system by the Personnel In-Charge assigned in Finance Department which shall serve as a unique reference number that the supplier has gone through the accreditation process. Details and profile of supplier are based on the submitted approved VIS by Merchandising Department.
3.7.1 All accredited suppliers shall be included and maintained in the Vendor Master file for management of supplier information. The Vendor Master file contains the company information and product listings of all accredited suppliers where the items will be purchased.

3.8 Only accredited suppliers shall provide required goods and services for the company. Only those items that has approved accreditation shall only be ordered from the accredited supplier.

3.9 For any changes or updates on Supplier's details, supplier must give information and submit necessary documents to Merchandising Department at least fifteen (15) working days before the effectivity of change.
VIS shall be accomplished based on the required updates and must be submitted to Finance Department

UPDATES	SUPPORTING DOCUMENTS REQUIRED	SYSTEM UPDATE
Change of name of existing vendor (same vendor but registered under a new name) Revisions in the previous set-up or defaults (changes in the vendor information except that information that can be overridden during Purchase Order preparation)	• Taxpayer Record Update • COR Change in address - COR Change in TIN - Taxpayer Record Update	Edit the name of existing vendor to name of new vendor. Edit the information based on approved request of existing vendor.
Replacement of Old Vendor to New Vendor (Transactions will be made to the newly set-up vendor instead of previously maintained supplier.)	Same requirement for New Vendor	For the Old Vendor- encode 'NTBU' (Not to be used) prefix on the vendor name and tagged as 'I' (Inactive) Create new vendor code for the replaced supplier.
Deactivation of Supplier (No replacement vendor)		Encode 'NTBU' (Not to be used) prefix on the vendor name and tagged as I' (Inactive).

PUREGOLD	SUBJECT TITLE: **SUPPLIER ACCREDITATION POLICIES & PROCEDURES**
	3.9.1 Merchandising Department shall provide written document to Supply Chain Dept., Finance Division and Store Operation of supplier's inactivity. 3..9.2 Supplier's account related to inventory and financials must be cleared first prior to deactivation by Merchandising Department and Finance Division. 3.9.3 Personnel In-charge in Finance Department shall update the supplier's information in the system on the effectivity date written on VIS and with complete required supporting documents. 3.10 Review of accredited supplie rs shall be performed th ree (3) months after PO creation for new supplier and on a periodic basis for existing suppliers. Merchandising Department and Supply Chain Department shall assess the supplier's performance based on set metrics and compliance on company's standard. 3.11 Merchandising Department and Supply Chain Department shall communicate to supplier through online vendor management system provided on the criteria that has poor perform ance or does not able to meet the agreed stan dards on a monthly basis. Marketing strategies or programs or corrective actions from the supplier must be required to improve the key processes related to company's operations.

cosco capital
incorporated

PUREGOLD PRICE CLUB, INC. LIST OF IPO REGISTERED TRADENAMES

NO.	TRADE NAME	REPRESENTATION OF MARK
1	ALWAYS PANALO	ALWAYS PANALO
2	ANYWEAR	ANYWEAR
3	AQUALIFE	AQUALIFE
4	AQUALIZED	Aqualized
5	ATLANTIC	ATLANTIC
6	BELLOTA	BELLOTA
7	CATTLEYA	CATTLEYA
8	CLIQUE Logo	Clique
9	COFFEE MATCH	CoffeeMatch
10	COFFEE MAX	Coffee MAX
11	DFP	DFP
12	DRY PLUS	DRY PLUS
13	EASY HOME DEPOT	EASY HOME DEPOT
14	EQUAL	Equal
15	EQUAL	Equal
16	EQUIVALENT	EQUIVALENT

17	**EZEE**	EZee
18	**FRESH & EASY**	Fresh &easy
19	**FRESH & FREE**	Fresh 'n Free
20	**GOLD YARN**	GOLD Yarn
21	**GOPURE**	GoPure
22	**GRAND P**	Grand P
23	**GREAT SUPERMARKET**	Great Supermarket
24	**HER COLLECTION/HIS COLELCTION**	Her His
25	**HIS KIDS/HER KIDS**	His Her
26	**HOME CLEAN**	HOME CLEAN
27	**JOOZY**	JOOZY
28	**KA-ASENSO**	Ka- asenso
29	**KAINDUSTRIYA**	ALING PURING KAINDUSTRIYA PARA SA KARINDERIA, KANTEENS AT KATERERS
30	**KITANG-KITA CASE**	KITANG-KITA CASE
31	**KOBE CHICKEN**	Kobe Chicken
32	**LA FLOR DE LA ISABELA**	LA FLOR DE LA ISABELA
33	**LA FLOR DE LA ISABELA**	LA FLOR DE LA ISABELA

34	**MAGIC GLOW**	Magic Glow
35	**MARKET 999**	MARKET 999
36	**MINI MART BY PUREGOLD**	Mini Mart by Puregold
37	**MOMMY MARKET**	Mommy Market
38	**MR. PAPER**	MR. PAPER
39	**MY BABY PLANET**	My Baby Planet
40	**NE KAYA 'YAN CABAYAN!**	ne Kaya 'yan Cabayan!
41	**NEGOSYO MO CABAYAN…**	ne gosyo mo cabayan
42	**PANALO KARD**	PANALO KARD
43	**PEOPLE'S RICE**	PEOPLE'S RICE
44	**PERFECT MATE**	PERFECT MATE
45	**PERKS LOYALTY CARD**	PERKS LOYALTY CARD
46	**PISO GARANTISADO**	Piso Garantisado
47	**POSITIVE 99**	POSITIVE ≤99
48	**PREM**	PREM
49	**PREMIUM GOLD**	Premium Gold
50	**PUHUNAN PLUS**	PUHUNAN PLUS

51	**PURE BASICS**	PURE BASICS
52	**PURE BASICS (Black Background)**	PURE BASICS
53	**PURE BASICS (labels)**	**PURE BASICS**
54	**PURE BASICS Panlaban sa Sebo, Panalo sa Presyo**	**PURE BASICS Palaban sa Sebo, Panalo sa Presyo**
55	**PURE BASICS Pure Clean, Pure White**	**PURE BASICS Pure Clean, Pure White**
56	**PURE BASICS Pure Freshness, Pure Softness**	**PURE BASICS Pure Freshness, Pure Softness**
57	**PURE HEALTH CARE**	**Pure Health Care**
58	**PURE PADALA**	PURE PADALA *Di lang makakarating. Malayo ang mararating!*
59	**PURE PHARMACY**	PURE PHARMACY
60	**PURE PLUS**	**Pure Plus**
61	**PURECART**	**PURECART**
62	**PURECASH**	**PureCash**
63	**PUREGLIDE**	**PUREGLIDE**
64	**PUREGOLD FREE**	**Puregold Free**
65	**PUREGOLD HOME OFFICE**	**Puregold Home Office**

66	**PUREGOLD NUTRITIONISCOOL**	Puregold NutritionIsCool
67	**PUREPLEASURE**	PUREPLEASURE
68	**PUREPLUS**	Pure Plus
69	**REACH**	Reach
70	**SA PUREGOLD, ALWAYS PANALO**	SA PUREGOLD, ALWAYS PANALO!
71	**STACK & STOCK RIGHT**	Stack & Stock Right
72	**TINDAHAN NI ALING PURING (Super SIM and Device)**	ALING PURING Super Suki Sim
73	**TABACALERA**	TABACALERA
74	**TINDAHAN NI ALING PURING ABOT KAYA ANG ASENSO**	TINDAHAN NI ALING PURING ABOT KAYA ANG ASENSO!
75	**TIPPTOES**	TIPPTOES
76	**TWIN ELEPHANT**	TWIN ELEPHANT
77	**VIPuring**	VIPuring
78	**WRAP & SEAL**	Wrap & Seal

OFFICE WAREHOUSE, INC. LIST OF IPO REGISTERED TRADENAMES

	TRADE NAME	REPRESENTATION OF MARK
1	OFFICE WAREHOUSE	Office Warehouse
2	OFFICE WAREHOUSE POINTS PLUS+	Office Warehouse Points Plus+
3	OFFICE WAREHOUSE COST-CUTTING STARTS HERE!	Office Warehouse Cost-cutting starts here!

TRADEMARKS

The following trademarks were registered by and are currently used by the Group with the Intellectual Property Office of the Philippines, all of which are registered in the name of Montosco:

	Title of Mark	Image	Date Registered	Valid Until
1	Alfonso XO	ALFONSO XO	May 5, 2008	Renewed until May 5, 2028
2	Alfonso	ALFONSO	March 3, 2008	Renewed until March 3, 2028
3	Alfonso I	ALFONSO I	May 21, 2005	Renewed until May 21, 2025
4	Alfonso I Light	ALFONSO I LIGHT ALCOHOL	November 25, 2018	November 25, 2028
5	Alfonso Platinum	ALFONSO PLATINUM	September 15, 2016	September 15, 2026
6	Alhambra	Alhambra	August 13, 2007	Renewed August 13, 2027
7	Don Luis	DON LUIS	May 21, 2005	Renewed May 21, 2025
8	Escobar	ESCOBAR	September 11, 2020	September 11, 2030

The subsidiaries (Montosco, Meritus and Premier), as product distributors in the Philippines, are allowed by their suppliers to use the trademarks of their suppliers, particularly to sell and promote the brand and/or product. The distribution agreements entered into between the subsidiaries and brand owners normally contain provisions allowing the relevant subsidiary a revocable, non-exclusive license to use the intellectual property of the brand owner, including trademarks and brand names, with respect to the particular products subject of the agreement in so far as it is necessary for the performance of the subsidiary's obligation as a distributor under the agreement. Some of the usual conditions imposed on the relevant subsidiaries are as follows:

1. Comply with the requirements specified by the brand owner with respect of the use of the intellectual property;
2. Not to do anything that may disparage, pass-off or infringe any intellectual property comprised in or attached to any of the products;
3. Prohibition against the registration of the intellectual property in the territory or elsewhere;
4. Notify the brand owner in case of any knowledge of any infringement or threatened infringement of the intellectual property in the territory; and
5. Provide reasonable assistance in any action undertaken by the brand owner to protect the intellectual property in the territory.

SUMMARY OF SEC 17- C REPORTS

The following are the summary of the SEC Form 17-C filed by the Company:

<table>
<tr><td>Date of Report</td><td>Date Filed with SEC</td></tr>
<tr><td>January 29, 2021</td><td>January 29, 2021</td></tr>
<tr><td colspan="2">Result of the Board Meeting dated January 29, 2021

Presenting for disclosure is the 2020 Attendance Report of Cosco Capital’s members of the Board of Directors.</td></tr>
<tr><td>February 19, 2021</td><td>February 24, 2021</td></tr>
<tr><td colspan="2">Result of the Special Board Meeting dated January 29, 2021

The Board of Directors of Cosco Capital, Inc. has approved the acquisition of controlling interest in Da Vinci Capital Holdings, Inc. (“DAVIN”) by way of share-swap transaction, specifically granting the following:

1. Authority of the Management of Cosco Capital, Inc. to enter into a Deed of Absolute Exchange of Shares with DAVIN, wherein the latter shall issue common shares of stock to the Corporation, and in exchange and as consideration thereof, the Corporation shall assign 100% of its shares in the following unlisted companies in favor of DAVIN:

(1) Montosco, Inc.
(2) Meritus Prime Distributions, Inc.
(3) Premier Wine and Spirits, Inc.

2. Authorizing the Management of the Corporation to determine the final terms and conditions of the Share Swap, including the price/ratio, etc.
3. Authorizing to apply with the Bureau of Internal Revenue for a Tax-Free Exchange Ruling</td></tr>
<tr><td>March 22, 2021</td><td>March 26, 2021</td></tr>
<tr><td colspan="2">Buy-back of Shares

On March 22, 2021, Cosco Capital, Inc. bought back 224,100 COSCO shares at 5.16 per share.</td></tr>
<tr><td>March 30, 2021</td><td>April 6, 2021</td></tr>
<tr><td colspan="2">Buy-back of Shares

On March 30, 2021, Cosco Capital, Inc. bought back 1,000,000 COSCO shares at 5.21 per share.</td></tr>
<tr><td>April 6, 2021</td><td>April 12, 2021</td></tr>
<tr><td colspan="2">Result of Cosco Capital Regular Board Meeting dated April 6, 2021

In its meeting held today, the Board of Directors approved the following:

1. Ratification of Management Action on Share Swap Transaction with Da Vinci Capital Holdings, Inc. particularly the subscription of 11,250,000,000 common shares at P2.00 per share of Da Vinci Capital Holdings, Inc. in exchange for Cosco’s 100% outstanding shares in Montosco, Meritus and Premier Wine and the confirmation of Isla Lipana & Company valuation of the three liquor companies, namely, Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits, Inc. amounting to P22,500,000,000.00
2. Approval of 2020 Consolidated Financial Statements
3. Approval of Annual Stockholders’ Meeting with details as follows:

Date: June 25, 2021
Time: 10:00 AM
Manner: via Zoom Meeting per SEC Circular No. 6 Series of 2020</td></tr>
</table>

Record Date: April 22, 2021 Distribution of Notice: By publication per SEC Notice dated March 16, 2021 Manner of Voting: By remote communication or in absentia Agenda: a. Call to order b. Certification of Notice and Quorum c. Approval of the minutes of the Previous Management since the last stockholders' meeting d. Annual Report and Approval of the 2020 Audited Financial Statements e. Election of Directors including independent directors f. Re-appointment of External Auditor and fixing its remuneration g. Other matters h. Adjournment 4. Confirmation of the eligibility of Mr. Robert Y. Cokeng and Mr. Oscar S. Reyes to serve as Independent Directors for another two (2) years. Mr. Cokeng and Mr. Reyes' 9 year term as independent directors would have ended this year, 2021.	
April 8, 2021	**April 13, 2021**
Buy-back of Shares On April 8, 2021, Cosco Capital, Inc. bought back 300,000 COSCO shares at 36.6 per share.	
April 14, 2021	**April 16, 2021**
Buy-back of Shares On April 14, 2021, Cosco Capital, Inc. bought back 100,000 COSCO shares at 10.54 per share.	
April 21, 2021	**April 28, 2021**
Buy-back of Shares On April 21, 2021, Cosco Capital, Inc. bought back 150,000 COSCO shares at 5.15 per share.	
April 30, 2021	**May 3, 2021**
Buy-back of Shares On April 30, 2021, Cosco Capital, Inc. bought back 300,000 COSCO shares at 10.05 per share.	
May 4, 2021	**May 4, 2021**
Result of Cosco Capital Regular Board Meeting dated May 4, 2021 The Board of Directors of Cosco Capital, Inc. approved, in its regular meeting today, the Consolidated Financial Reports of the Company and subsidiaries as of March 31, 2021.	
May 10, 2021	**May 10, 2021**
Analyst Briefing for Full Year 2020 and 1Q 2021 Results Cosco Capital will hold a joint analyst briefing teleconference for Full Year 2020 and 1Q 2021 Results on May 18, 2021 at 3:00 PM Manila Time.	
May 14, 2021	**May 17, 2021**
Press Release Cosco Capital core net income up 7.4% at PHP 10 billion in FY 2020	
May 17, 2021	**May 17, 2021**
Press Release Cosco Capital core net income up 5.2% at PHP 2.44 billion in 1Q 2021	

May 17, 2021	**May 18, 2021**
Buy-back of Shares On May 17, 2021, Cosco Capital, Inc. bought back 140,000 COSCO shares at 9.87 per share.	
May 18, 2021	**May 19, 2021**
Buy-back of Shares On May 18, 2021, Cosco Capital, Inc. bought back 300,000 COSCO shares at 19.7 per share.	
May 26, 2021	**May 28, 2021**
Buy-back of Shares On May 26, 2021, Cosco Capital, Inc. bought back 119,700 COSCO shares at 15.26 per share.	
May 27, 2021	**May 28, 2021**
Buy-back of Shares On May 27, 2021, Cosco Capital, Inc. bought back 97,700 COSCO shares at 15.25 per share.	
May 28, 2021	**May 31, 2021**
Buy-back of Shares On May 28, 2021, Cosco Capital, Inc. bought back 210,412,200 COSCO shares at 30.75 per share.	
May 31, 2021	**June 1, 2021**
Buy-back of Shares On May 31, 2021, Cosco Capital, Inc. bought back 113,300 COSCO shares at 25.48 per share.	
June 1, 2021	**June 3, 2021**
Buy-back of Shares On June 1, 2021, Cosco Capital, Inc. bought back 300,000 COSCO shares at 20.26 per share.	
June 2, 2021	**June 3, 2021**
Buy-back of Shares On June 2, 2021, Cosco Capital, Inc. bought back 500,000 COSCO shares at 15.17 per share.	
June 2, 2021	**June 3, 2021**
Press Release Cosco Capital paid PHP 4 billion Notes	
June 10, 2021	**June 11, 2021**
Buy-back of Shares On June 10, 2021, Cosco Capital, Inc. bought back 310,200 COSCO shares at 20.9 per share.	
June 11, 2021	**June 14, 2021**
Buy-back of Shares On June 11, 2021, Cosco Capital, Inc. bought back 129,500 COSCO shares at 10.77 per share.	
June 14, 2021	**June 16, 2021**
Buy-back of Shares On June 14, 2021, Cosco Capital, Inc. bought back 221,600 COSCO shares at 21.54 per share.	

<table>
<tr><td>June 16, 2021</td><td>June 16, 2021</td></tr>
<tr><td colspan="2">Buy-back of Shares

On June 16, 2021, Cosco Capital, Inc. bought back 500,000 COSCO shares at 16.2 per share.</td></tr>
<tr><td>June 21, 2021</td><td>June 21, 2021</td></tr>
<tr><td colspan="2">Buy-back of Shares

On June 21, 2021, Cosco Capital, Inc. bought back 100,000 COSCO shares at 10.63 per share.</td></tr>
<tr><td>June 22, 2021</td><td>June 22, 2021</td></tr>
<tr><td colspan="2">Buy-back of Shares

On June 22, 2021, Cosco Capital, Inc. bought back 47,700 COSCO shares at 16.17 per share.</td></tr>
<tr><td>June 23, 2021</td><td>June 25, 2021</td></tr>
<tr><td colspan="2">Buy-back of Shares

On June 23, 2021, Cosco Capital, Inc. bought back 200,000 COSCO shares at 16.29 per share.</td></tr>
<tr><td>June 25, 2021</td><td>June 25, 2021</td></tr>
<tr><td colspan="2">Buy-back of Shares

On June 25, 2021, Cosco Capital, Inc. bought back 250,000 COSCO shares at 16.2 per share.</td></tr>
<tr><td>June 25, 2021</td><td>June 28, 2021</td></tr>
<tr><td colspan="2">Result of the Annual Stockholders’ Meeting of Cosco Capital, Inc. dated June 25, 2021

In its meeting held today, the Board of Directors approved the following:

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 2020
4. Annual Report and Approval of the 2020 Audited Financial Statements
5. Election of Mr. Lucio Co, Mrs. Susan Co, Mr. Leonardo Dayao, Mr. Levi Labra, Mr. Roberto Juanchito Dispo, Mr. Jaime Bautista as regular directors, Mr. Bienvenido Laguesma as an independent director, and Mr. Oscar Reyes and Mr. Robert Cokeng as independent directors, including the eligibility of Mr. Reyes and Mr. Cokeng to be re-elected despite the lapse of their nine-year term as independent directors.
6. Re-appointment of R.G. Manabat & Company as External Auditor of the Company and its subsidiaries and fixing its remuneration to up to P8 million.
7. Other Matters.
8. Adjournment

Other Relevant Information:

Chairman and President’s Joint Letter to Stockholders, Minutes of the Stockholders’ Meeting, and Profile of newly-elected Directors of Cosco Capital, Inc.</td></tr>
<tr><td>June 25, 2021</td><td>June 28, 2021</td></tr>
<tr><td colspan="2">Result of the Organization Meeting of the Board of Directors of Cosco Capital, Inc.

In its meeting held today, the Board of Directors appoints the following officers and committee members:

Chairman: Mr. Lucio L. Co
Vice Chairman: Mrs. Susan P. Co
President: Mr. Leonardo B. Dayao</td></tr>
</table>

<table>
<tr><td colspan="2">Treasurer: Mrs. Susan P. Co
Comptroller: Mr. Teodoro A. Polinga
Lead Independent Director: Mr. Robert Y. Cokeng
Compliance Officer and
Asst. Corporate Secretary: Atty. Candy H. Dacanay-Datuon
Legal Counsel: Atty. Andres S. Santos
Corporate Secretary: Atty, Jose S. Santos, Jr.
Internal Auditor and Risk Management Officer: Ms. Emerlinda Llamado
Data Privacy Officer: Ms. Maricel Mariano
Investor Relations Officer: Mr. John Marson T. Hao
Sustainablity Officer: Mr. John Marson T. Hao

Executive Committee:
Chairman: Mr. Lucio L. Co
Member: Mrs. Susan P. Co
Member: Mr. Leonardo B. Dayao
Member: Mr. Roberto Juanchito T. Dispo
Member: Mr. Levi B. Labra

Ex-Officio Member: Mr. Ferdinand Vincent P. Co
Corporate Governance Committee:
Chairman: Mr. Oscar S. Reyes (ID)
Member: Atty. Bienvenido E. Laguesma (ID)
Member: Mr. Robert Y. Cokeng (ID)
Member: Mr. Lucio Co
Member: Mr. Leonardo B. Dayao

Ex-Officio Member: Atty. Candy H. Dacanay-Datuon

Audit Committee:
Chairman: Mr. Robert Y. Cokeng (ID)
Member: Atty. Bienvenido E. Laguesma (ID)
Member: Mr. Oscar S. Reyes (ID)
Member: Mrs. Susan P. Co
Member: Mr. Leonardo B. Dayao

Ex-Officio Members: Mr. Teodoro A. Polinga and Ms. Emerlinda Llamado

All herein officers shall serve for a term of one year and until their respective successors are duly elected and qualified.</td></tr>
<tr><td>June 29, 2021</td><td>June 29, 2021</td></tr>
<tr><td colspan="2">Buy-back of Shares

On June 29, 2021, Cosco Capital, Inc. bought back 200,000 COSCO shares at 5.40 per share.</td></tr>
<tr><td>July 1, 2021</td><td>July 2, 2021</td></tr>
<tr><td colspan="2">Buy-back of Shares

On July 1, 2021, Cosco Capital, Inc. bought back 87,200 COSCO shares at 16.14 per share.</td></tr>
<tr><td>November 5, 2021</td><td>November 8, 2021</td></tr>
<tr><td colspan="2">Cosco Analyst Briefing for Nine Months 2021 Results

Cosco Capital will hold an analyst briefing teleconference for the Nine Months Results on November 15, 2021 (Monday) at 3:00 PM Manila Time.</td></tr>
<tr><td>November 9, 2021</td><td>November 10, 2021</td></tr>
<tr><td colspan="2">Result of Cosco Capital Regular Board Meeting dated November 9, 2021</td></tr>
</table>

<table>
<tr><td colspan="2">The Board of Directors of Cosco Capital, Inc. has approved today, November 9, 2021, its Consolidated Financial Performance as September 30, 2021. The mandatory Quarterly Report (SEC 17-Q) will be released on or before November 15, 2021.</td></tr>
<tr><td>November 15, 2021</td><td>November 15, 2021</td></tr>
<tr><td colspan="2">Press Release

Cosco Capital net income up 13% at PHP 7.27 billion in 9M 2021</td></tr>
<tr><td>November 15, 2021</td><td>November 18, 2021</td></tr>
<tr><td colspan="2">Company Presentation for its 9M 2021 Financial Results</td></tr>
<tr><td>December 21, 2021</td><td>December 22, 2021</td></tr>
<tr><td colspan="2">Cosco Capital Disclosure dated December 21, 2021

In its regular meeting held today, December 21, 2021, the Board of Directors of Cosco Capital, Inc. has approved the following items:

(1) Declaration of Cash Dividend

Amount per Share: P0.08 per share regular dividend and P0.04 per share special cash dividend
Declaration Date: December 21, 2021
Record Date: January 10, 2022
Payment Date: February 3, 2022

(2) Renewal of Buy-Back Program

Amount allocated: P2 billion
Period: One year

(3) 2022 Annual Stockholders’ Meeting

Date: June 24, 2022
Time: 10:00 AM
Record Date: April 25, 2022
Mode: via remote communication</td></tr>
</table>

Gmail Corporate Secretary <corporate.secretary.sec@gmail.com>

SEC CiFSS-OST Initial Acceptance

1 message

noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph> Sat, May 14, 2022 at 8:57 AM

Greetings!

SEC Registration No: 147669
Company Name: COSCO CAPITAL INC.
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City,
1307, Metro Manila, Philippines

COSCO - Maricel Mariano

From:	eafs@bir.gov.ph
Sent:	Saturday, 14 May 2022 7:10 am
To:	MARICEL.MARIANO@COSCOCAPITAL.COM
Cc:	MARICEL.MARIANO@COSCOCAPITAL.COM
Subject:	Your BIR AFS eSubmission uploads were received

Hi COSCO CAPITAL INC,

Valid files

- EAFS000432378ITRTY122021.pdf
- EAFS000432378AFSTY122021.pdf
- EAFS000432378RPTTY122021.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-96JA7LB708AK59H97M1R2RP1X0G9B5FBL**
Submission Date/Time: **May 14, 2022 07:10 AM**
Company TIN: **000-432-378**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

C O V E R   S H E E T

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	4	7	6	6	9

COMPANY NAME

C O S C O   C A P I T A L ,   I N C .

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

9 0 0   R o m u a l d e z   S t r e e t

P a c o ,   M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 548-7110	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
100	April 1	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Teodoro A. Polinga	tedpolinga@coscocapital.com.ph	(02) 548-7110	

CONTACT PERSON's ADDRESS

900 Romualdez, Street, Paco, Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

COSCO CAPITAL, INC.

SEPARATE FINANCIAL STATEMENTS
December 31, 2021 and 2020

With Independent Auditors' Report

cosco capital
incorporated

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Cosco Capital, Inc.** (the "Company"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

R. G. Manabat & Co., the independent auditor appointed by the Board of Directors, has audited the financial statements of the Company 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.

Signature ______________________
LUCIO L. CO / Chairman of the Board

Signature ______________________
LEONARDO B. DAYAO / President

Signature ______________________
TEODORO A. POLINGA / Chief Finance Officer

APR 21 2022

SUBSCRIBED AND SWORN to before me this ______ day of __________ 2022 affiants exhibiting to me their respective Tax Identification Number, as follows:

Name	TIN
LUCIO L. CO	108-975-971
LEONARDO B. DAYAO	135-546-815
TEODORO A. POLINGA	104-883-077

Doc. No. 141;
Page No. 29;
Book No. CVIII;
Series of 2022

ATTY. JOHN EDWARD TRINIDAD ANG
Notary Public for the City of Manila · Extended until June 30, 2022
Notarial Commission No. 2020-033
2/F Midland Plaza Hotel, Adriatico st., Ermita, Mla.
IBP No. 166318- Oct. 25, 2021 Pasig City
PTR No. 0097534/Jan. 3, 2022 at Manila
Roll No. 68731 MCLE Compliance No. VI0017186-Jan.24, 2019

Signed this ___day of __________, 2022

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

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Cosco Capital, Inc.
900 Romualdez Street
Paco, Manila

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Cosco Capital, Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2021 and 2020, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2021 and 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company 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 audits of the separate 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.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 PSAs 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 18 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
  covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2019
  Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854063
  Issued January 3, 2022 at Makati City

May 6, 2022
Makati City, Metro Manila

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

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders
Cosco Capital, Inc.
900 Romualdez Street
Paco, Manila

We have audited the accompanying separate financial statements of Cosco Capital, Inc. (the "Company") as at and for the year ended December 31, 2021, on which we have rendered our report dated May 6, 2022.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the said Company has 996 stockholders owning one hundred (100) or more shares each.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854063
Issued January 3, 2022 at Makati City

May 6, 2022
Makati City, Metro Manila

COSCO CAPITAL, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 17*	**P222,231,864**	P3,620,650,046
Loans receivable	*16, 17*	**3,637,499,809**	3,224,571,945
Other receivables - net	*5, 16, 17*	**2,473,121,223**	3,486,816,240
Financial assets at fair value through other comprehensive income	*6*	**5,096,013**	6,677,489
Advances to subsidiaries	*16, 17*	**5,174,950,861**	5,436,651,925
Other current assets	*7*	**21,448,657**	19,223,055
Total Current Assets		**11,534,348,427**	15,794,590,700
Noncurrent Assets			
Investment in subsidiaries	*8*	**91,703,695,038**	77,683,764,333
Property and equipment - net	*9*	**100,486,635**	106,383,410
Deferred tax assets - net	*15*	**1,637,301**	2,876,998
Other noncurrent assets		**3,147,551**	8,257,432
Total Noncurrent Assets		**91,808,966,525**	77,801,282,173
		P103,343,314,952	P93,595,872,873
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other liabilities	*10, 17*	**P341,260,546**	P393,629,602
Dividends payable	*12, 17*	**770,068,568**	1,023,929,347
Current maturities of long-term loans due within one year	*11, 17*	**-**	3,766,956,618
Total Current Liabilities		**1,111,329,114**	5,184,515,567
Noncurrent Liability			
Long-term loans	*11, 17*	**-**	927,620,755
Total Liabilities		**1,111,329,114**	6,112,136,322
Equity			
Capital stock	*12*	**7,405,263,564**	7,405,263,564
Additional paid-in capital	*12*	**79,827,987,885**	79,827,987,885
Equity reserve	*8*	**14,019,930,705**	-
Treasury stock	*12*	**(1,411,008,852)**	(1,370,606,670)
Cumulative unrealized fair value gain	*6*	**3,177,679**	4,759,155
Retained earnings		**2,386,634,857**	1,616,332,617
Total Equity		**102,231,985,838**	87,483,736,551
		P103,343,314,952	P93,595,872,873

See Notes to the Separate Financial Statements.

COSCO CAPITAL, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2021**	2020
INCOME			
Dividend income	*16*	**P1,881,975,831**	P1,534,934,124
Interest income	*4, 16*	**2,655,887**	273,650,100
Other income		**1,547,958**	-
		1,886,179,676	1,808,584,224
EXPENSES			
Interest expense	*11*	**174,736,706**	269,985,037
Taxes and licenses		**17,617,315**	23,648,123
Staff costs		**15,710,924**	15,122,574
Depreciation and amortization	*9*	**13,579,472**	8,802,262
Professional, legal and other fees		**11,101,162**	9,878,651
Transportation and communication		**9,960,242**	9,975,884
Rent	*14*	**473,214**	460,075
Repairs and maintenance		**302,265**	19,104,599
Meeting and conferences		**268,320**	1,078,583
Janitorial		**244,622**	150,218
Utilities		**214,141**	249,876
Others		**8,883,646**	4,369,209
		253,092,029	362,825,091
INCOME BEFORE INCOME TAX		**1,633,087,647**	1,445,759,133
INCOME TAX EXPENSE (BENEFIT)	*15*	**(65,147)**	4,771,526
NET INCOME		**1,633,152,794**	1,440,987,607
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified subsequently to profit or loss			
Unrealized fair value loss for the year	*6*	**(1,581,476)**	(843,665)
TOTAL COMPREHENSIVE INCOME		**P1,631,571,318**	P1,440,143,942
EARNINGS PER SHARE	*13*	**P0.23**	P0.20

See Notes to the Separate Financial Statements.

COSCO CAPITAL, INC

SEPARATE STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Capital Stock	Additional Paid-in Capital	Equity Reserve	Treasury Stock	Cumulative Unrealized Fair Value Gain	Retained Earnings	Total Equity
Balance at January 1, 2020		P7,405,263,564	P79,827,987,885	P -	(P1,121,719,543)	P5,602,820	P1,327,065,597	P87,444,200,323
Total comprehensive income for the year								
Net income for the year		-	-	-	-	-	1,440,987,607	1,440,987,607
Other comprehensive income	*6*	-	-	-	-	(843,665)	-	(843,665)
		-	-	-	-	(843,665)	1,440,987,607	1,440,143,942
Cash dividends	*12*	-	-	-	-	-	(1,151,720,587)	(1,151,720,587)
Acquisition of treasury shares	*12*	-	-	-	(248,887,127)	-	-	(248,887,127)
Balance at December 31, 2020		7,405,263,564	79,827,987,885	-	(1,370,606,670)	4,759,155	1,616,332,617	87,483,736,551
Total comprehensive income for the year								
Net income for the year		-	-	-	-	-	1,633,152,794	1,633,152,794
Other comprehensive income	*6*	-	-	-	-	(1,581,476)	-	(1,581,476)
		-	-	-	-	(1,581,476)	1,633,152,794	1,631,571,318
Cash dividends	*12*	-	-	-	-	-	(862,850,554)	(862,850,554)
Share swap transaction		-	-	14,019,930,705	-	-	-	14,019,930,705
Acquisition of treasury shares	*12*	-	-	-	(40,402,182)	-	-	(40,402,182)
Balance at December 31, 2021		**P7,405,263,564**	**P79,827,987,885**	**P14,019,930,705**	**(P1,411,008,852)**	**P3,177,679**	**P2,386,634,857**	**P102,231,985,838**

See Notes to the Separate Financial Statements.

COSCO CAPITAL, INC.
SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P1,633,087,647**	P1,445,759,133
Adjustments for:			
Dividend income	*16*	**(1,881,975,831)**	(1,534,934,124)
Interest expense	*11*	**174,736,706**	269,985,037
Depreciation and amortization	*9*	**13,579,472**	8,802,262
Interest income	*4, 16*	**(2,655,887)**	(273,650,100)
Unrealized foreign exchange loss (gain)		**(1,547,957)**	1,492,827
Operating loss before changes in working capital		**(64,775,850)**	(82,544,965)
Decrease (increase) in:			
Other receivables		**14,750,768**	(102,556,702)
Other current assets		**(2,225,602)**	8,079,494
Increase (decrease) in accounts payable and other liabilities		**(51,064,211)**	58,465,103
Cash absorbed by operations		**(103,314,895)**	(118,557,070)
Interest received	*4*	**2,655,887**	12,681,357
Net cash used in operating activities		**(100,659,008)**	(105,875,713)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	*5, 16*	**2,811,146,600**	934,390,764
Loans granted to a related party	*16*	**(440,632,000)**	-
Collections of:			
Advances to subsidiaries	*16*	**261,701,064**	578,431,416
Loans receivable	*16*	**27,704,136**	204,643,498
Interest received	*16*	**69,773,480**	164,821,633
Additions to property and equipment	*9*	**(2,572,817)**	(74,098,298)
Net cash provided by investing activities		**2,727,120,463**	1,808,189,013
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term loans	*11*	**(4,700,000,000)**	(43,685,083)
Cash dividends	*12*	**(1,116,711,333)**	(772,505,143)
Interest expense	*11*	**(169,314,079)**	(263,670,120)
Purchase of treasury shares	*12*	**(40,402,182)**	(248,887,127)
Cash used in financing activities		**(6,026,427,594)**	(1,328,747,473)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**1,547,957**	(1,492,827)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,398,418,182)**	372,073,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,620,650,046**	3,248,577,046
CASH AND CASH EQUIVALENTS AT END OF YEAR	***4***	**P222,231,864**	P3,620,650,046

See Notes to the Separate Financial Statements.

COSCO CAPITAL, INC.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

Cosco Capital, Inc. (the Company or Cosco), formerly Alcorn Gold Resources Corporation, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 19, 1988. Its shares of stock are publicly traded in the Philippine Stock Exchange (PSE) since September 26, 1988. As at December 31, 2020 and 2019, the Company's public float stood at 22.99% and 24.69%.

On October 8, 1999, the stockholders approved the amendment of the primary purpose of the Company from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Company. The SEC approved the amendment on January 13, 2000. As a holding company, Cosco may engage in any business that may add to its shareholders' worth.

On December 10, 2012, in a special meeting, the Board of Directors ("Board" or "BOD") approved the subscription of the "Lucio L. Co Group" to the unissued authorized capital stock of the Company from the proposed increase in the authorized capital stock of the Company at a subscription price of P15 per share for a total of 4.99 billion new shares at an aggregate subscription price of P74.81 billion worth of shares in Puregold Price Club, Inc., Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp., and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in these companies, under the terms and conditions to be determined by the Company's BOD.

On December 10, 2012, in a special meeting, the Board of Directors ("Board" or "BOD") of the Company approved the subscription of the "Lucio L. Co Group" to the unissued authorized capital stock of the Company from the proposed increase in the authorized capital stock of the Company at a subscription price of P15.00 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74.80 billion worth of shares in Puregold Price Club, Inc. (PPCI), Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco, Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp., and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in these companies, under the terms and conditions to be determined by the Company's BOD.

On December 11, 2012, in a special meeting, the Company's shareholders approved the increase in the Company's authorized capital stock and increase in par value from P3.00 billion divided into 300.00 billion common shares with a par value of P0.01 per share to P10.00 billion divided into 10.00 billion common shares with a par value of P1.00 per share. Also, the Company's shareholders resolved to change the Company's corporate name from Alcorn Gold Resources Corporation to Cosco Capital, Inc. and to reorganize and spin-off its oil and mineral assets and operations into a wholly-owned subsidiary.

On April 22, 2013, the SEC approved the restructuring of the Company's authorized capital stock as well as the change of its corporate name. Further, the SEC confirmed the final number of subscribed shares of 4,987,406,421 at an aggregate revised subscription price of P74.8 billion which will be paid through assignment of shares (share swap). The transaction is exempt from the registration requirements of the Securities Regulation Code of the Philippines.

On May 31, 2013, pursuant to the SEC-approved increase of capital stock and share swap transaction, the Company implemented the following: (a) issuance and listing of 4,987,406,421 new shares of the Company; (b) cross trade at the PSE of PPCI shares to the Company as consideration for the issuance of the new shares; (c) issuance to the subscribers, the Lucio L. Co Group, pursuant to the share swap; and (d) special block sale at the PSE of 1,600,000,000 of the new shares placed to Qualified Institutional Buyers transacted at PSE at P10.50 per share.

As a result of the above transaction, the companies mentioned above became subsidiaries of Cosco. The transaction was accounted for using the pooling of interest method. Accordingly, the Company recognized the net assets of the acquired subsidiaries equivalent to their carrying values.

On January 16, 2019, PPCI made a top-up placement of 104.3 million common shares at a price of P45.00 per share. The shares were issued on March 5, 2019 with proceeds amounting to P4.6 billion. This resulted in a dilution of the Company's ownership interest in PPCI from 51.02% to 49.16%. The Company retains control over PPCI (see Note 2).

On February 22, 2021, the Board of Directors of Cosco Capital, Inc. approved the acquisition of controlling interest in The Keepers Holdings, Inc. ("TKHI"), formerly Da Vinci Capital Holdings, Inc. under a share swap arrangement. DAVIN shall issue 11.25 billion common shares of stock valued at P2 per share to Cosco. In exchange and as consideration thereof, Cosco shall assign 100% of its shares in the following subsidiaries in favor of TKHI:

- Montosco, Inc.; ("Montosco")
- Meritus Prime Distributions, Inc.("Meritus")
- Premier Wine and Spirits, Inc. ("Premier")

The shares will be issued from the increase in authorized capital stock of TKHI which was approved by the SEC on June 30, 2021.

On July 14, 2021, TKHI filed a Registration Statement ("RS") with the SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of the Offer Shares. On July 19, 2021, TKHI filed its application for the listing and trading of offer shares with the PSE. On September 20, 2021, TKHI filed an amended Registration Statement which was rendered effective by SEC on October 7, 2021. The Permit to Sell ("PTS") of TKHI's Offer Shares was issued by SEC on November 3, 2021.

On November 19, 2021, TKHI issued 3 million shares from the follow-on offering ("FOO") at P1.5 per share or P4.5 billion. The net proceeds, after deducting the transactions costs of P173 million amounted to P4.3 billion.

The share swap resulted in a dilution in Cosco's effective ownership interest in Montosco, Meritus and Premier acquired from 100% to 97.75% while the FOO resulted in the dilution of Cosco's ownership interest in TKHI to 77.54%.

The Company's current major shareholders consist of individual and corporate Filipino investors.

The Company's registered office, which is also its principal place of business, is at 900 Romualdez Street, Paco, Manila.

2. Basis of Preparation

<u>Statement of Compliance</u>
The separate 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 Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in compliance with PFRS. The consolidated financial statements can be obtained from the Company's business address.

The accompanying separate financial statements were approved and authorized for issuance by the BOD on April 11, 2021.

<u>Basis of Measurement</u>
The separate financial statements have been prepared on the historical cost basis of accounting, except for financial assets at fair value through other comprehensive income which are measured at fair value.

<u>Functional and Presentation Currency</u>
The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

<u>Significant Judgments, Estimates and Assumptions</u>
The preparation of separate 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 Company'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 Company's actual future results, performance and achievements to differ materially from those forecasted.

<u>Judgments</u>
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 Control over Investee with Less Than 50% of Voting Rights
The Company has determined that it has control over PPCI even though it has less than 50% of voting rights because of the dominance of its position in relation to the size and dispersion of the other vote holdings. As a result, the Company has the power or ability to control the relevant activities of PPCI.

Estimates
The key estimates and assumptions used in the separate 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 financial assets (see Notes 5 and 16)
The Company maintains an allowance for impairment losses at a level considered adequate to provide for uncollectible receivables and advances. The level of this allowance is evaluated by the Company on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with debtors and, their payment behavior and known market factors. The Company reviews the age and status of the receivables 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 Company made different judgment or utilized different estimates. An increase in the Company's allowance for impairment losses on receivables and advances would increase the Company's recorded operating expenses and decrease current assets.

As at December 31, 2021 and 2020, the following are the carrying amounts of the Company's financial assets:

	Note	**2021**	2020
Loans receivable	*16*	**P3,637,499,809**	P3,224,571,945
Other receivables - net	*5*	**2,473,121,223**	3,486,816,240
Advances to subsidiaries	*16*	**5,174,950,861**	5,436,651,925

The allowance for impairment losses on other receivables amounted to P8.10 million as at December 31, 2021 and 2020.

Impairment of Non-financial Assets (see Notes 8 and 9)
The Company assesses impairment on when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

- significant underperformance relative to the expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

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

There are no impairment indicators affecting the Company's nonfinancial assets as at December 31, 2021 and 2020.

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

	Note	**2021**	2020
Investment in subsidiaries	*8*	**P91,703,695,038**	P77,683,764,333
Property and equipment - net	*9*	**100,486,635**	106,383,410

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards

The Company has adopted the following amendments to standards starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and amendments to standards did not have any significant impact on the Company's separate financial statements. These are as follows:

- *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 area direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

  - the revised consideration is substantially the same or less than the original consideration;

  - the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - no other substantive changes have been made to the terms of the lease.

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

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

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

Standards Issued but Not Yet Adopted

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

Effective January 1, 2022

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

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

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

  The amendments apply retrospectively on or after January 1, 2022, but only to items of property, plant, and equipment made available for use on or after the beginning of the earliest period presented, recognizing the cumulative effect in the opening retained earnings (or other component of equity, as appropriate) of that earliest period presented. Earlier application is permitted.

- PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (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 apply prospectively on or after January 1, 2022. 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. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards. The following are the amendments that are relevant to the Company:

  - PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments)* clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- PFRS 16, *Leases - Lease Incentives (Amendments)* deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

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

Effective January 1, 2023

▪ PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

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

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

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

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

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

- PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure of Accounting Policies (Amendments)* intended to help Companies provide useful accounting policy disclosures. The key amendments to PAS 1 include: • requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

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

Statement of Cash Flows

The Company has chosen to prepare the 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 Company has chosen to present dividends paid to its stockholders as a financing activity cash flow. 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 Company has classified cash flows from operating leases as operating activities.

Financial Instruments

Financial Assets

Financial assets are recognized when the Company 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 Company transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. 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 Company). At initial recognition, the Company 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 receivable without significant financing component is initially measured at the transaction price.

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

- The Company'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 Company 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 Company 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 Company measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses. The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for loans receivable, other receivables and advances to subsidiaries.

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 Company 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 Company's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Company 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 Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Company in full, without recourse by the Company 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 Company.

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

Receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company 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 Company'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 Company expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

Cash and cash equivalents, loans receivable, other receivables, advances to subsidiaries and rent security deposits (included as part of “Other current assets” account) are included in this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

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 Company 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.

This category includes the Company’s quoted equity securities.

Financial Liabilities
Financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognized when the Company’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 Company classifies all financial liabilities as subsequently measured at amortized cost, except for:

(a) financial liabilities designated by the Company 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 Company 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Accounts payable and other liabilities (excluding withholding tax payable and other payable to government agencies), dividends payable and long-term loans are generally included in this category.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the separate 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 separate statements of financial position.

<u>Fair Value Measurements</u>
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 Company.

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 Company 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 separate 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 separate financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

<u>Cash and Cash Equivalents</u>
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.

Other Current Assets
Other current assets pertain to other resources controlled by the Company as a result of past events. This includes prepaid expenses. Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time. Prepaid expenses include prepaid insurance, creditable withholdings taxes (CWT) and prepaid medical benefits.

Investment in Subsidiaries
The Company's investment in subsidiaries are accounted for under the cost method as provided for under PAS 27, *Separate Financial Statements*. The investment is carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from a subsidiary in its separate statement of comprehensive income when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. The 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. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Property and Equipment
Property and equipment 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 Company. All other subsequent expenditures are recognized in profit or loss.

Depreciation and amortization which commences when the assets are available for its intended use are computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	Number of Years
Machinery and transportation equipment	5
Office furniture and equipment	5
Leasehold improvements	5 or term of the lease, whichever is shorter

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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.

Impairment of Nonfinancial Assets

The Company assesses whether there is any indication that the property and equipment, investment in subsidiaries, and computer software and licenses may be impaired. The Company performs impairment testing where there are indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Company 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 Company's profit or loss.

A reversal of an impairment loss is recognized immediately as a credit to the Company'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 Company 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.

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.

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.

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 Company'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.

Additional Paid-in Capital

Additional paid-in capital (APIC) is the amount of contribution in excess of par value which 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 Company's shareholders is recognized as a liability, and deducted from equity in the Company's separate statements of financial position in the period in which the dividends are approved and declared by the Company's BOD.

Equity Reserve
Equity reserve from common control transactions is the difference between the fair value of the shares of stock of an entity received under common control and the consideration paid as an equity transaction with the stockholder.

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

Other income. The Company recognizes other income when earned.

Revenue outside the scope of IFRS 15:

- *Dividend Income* is recognized when the right to receive payment is established.

- *Interest Income* is recognized as the interest accrues, taking into account the effective yield on the asset and is presented net of final tax.

Expense Recognition
Expenses are recognized when incurred and are reported in the separate financial statements in the periods to which they relate.

Expenses are also recognized in the separate statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability can be measured reliably has arisen. Expenses are recognized in the separate statements of income on the basis of a direct association between costs incurred and the earnings of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify or cease to qualify, for recognition in the separate statements of financial position as an asset.

Leases
At inception of a contract, the Company 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 Company 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 Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset. The Company 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 Company has the right to direct the use of the asset if either:

  - the Company has the right to operate the asset; or

  - the Company 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 Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a Lessee - Short-term Leases and Leases of Low-value Assets
The Company 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 Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>Income Taxes</u>
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 carry forward 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 asset 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 profit will allow the deferred tax asset 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 reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

- where the VAT incurred on purchase of assets or services are not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- where receivables and payables are stated with the amount of VAT included.

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

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions and Contingencies
A provision is recognized when the Company 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 separate financial statements. These are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to the separate 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 Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

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.

4. Cash and Cash Equivalents

This account as at December 31 consists of:

	Note	**2021**	2020
Cash on hand		**P20,000**	P20,000
Cash in banks	*17*	**110,211,864**	3,017,079,248
Short-term placements	*17*	**112,000,000**	603,550,798
		P222,231,864	P3,620,650,046

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

Short-term placements pertain to the Company's time deposits with various local banks and branches of foreign banks with maturity of less than 90 days and with annual interest ranging from 0.30% to 1.50% in 2021 and 1.10% to 3.20% in 2020.

Interest income earned from cash in banks and short-term placements amounted to P2.66 million in 2021 and P12.68 million in 2020.

5. Other Receivables

This account consists of:

	Note	**2021**	2020
Dividends	*16, 17*	**P1,500,433,590**	P2,429,604,359
Due from related parties	*16, 17*	**869,578,315**	884,390,283
Interest	*16, 17*	**103,006,128**	172,779,608
Others	*17*	**8,200,350**	8,139,150
		2,481,218,383	3,494,913,400
Less allowance for impairment losses		**8,097,160**	8,097,160
		P2,473,121,223	P3,486,816,240

6. Financial Assets at FVOCI

This account consists of investment in quoted shares of stock listed in the PSE. The movement is as follows:

	Note	**2021**	2020
Balance at January 1		**P6,677,489**	P7,521,155
Unrealized fair value loss		**(1,581,476)**	(843,666)
Balance at December 31	*17*	**P5,096,013**	P6,677,489

Cumulative unrealized fair value loss amounting to P3.18 million and P4.76 million as at December 31, 2021 and 2020, respectively, are presented in equity.

7. Other Current Assets

This account as at December 31 consists of:

	Note	**2021**	2020
Creditable withholding tax		**P18,470,529**	P17,165,685
Input VAT		**964,822**	13,718
Rent security deposits	*17*	**118,303**	118,303
Prepaid insurance		**107,907**	8,823
Others		**1,787,096**	1,916,526
		P21,448,657	P19,223,055

Creditable withholding tax pertains to the tax withheld at source by the Company's customer and is creditable against the income tax liability of the Company.

Others pertain to various unused office supplies and prepaid medical benefit funds.

8. Investment in Subsidiaries

The carrying value of the investment in subsidiaries as at December 31 consists of:

	2021	2020
Puregold Price Club, Inc. and Subsidiaries (PPCI)	**P45,994,270,320**	P45,994,270,320
The Keepers Holdings Inc. (TKHI).	**22,500,000,000**	-
Nation Realty, Inc. (NRI)	**9,320,070,630**	9,320,070,630
Ellimac Prime Holdings, Inc. (EPHI)	**5,339,303,670**	5,339,303,670
Patagonia Holdings Corp. (PHC)	**3,461,062,995**	3,461,062,995
Pure Petroleum Corp. (PPC)	**1,895,941,155**	1,895,941,155
NE Pacific Shopping Centers Corporation (NPSCC)	**1,451,181,250**	1,451,181,250
Office Warehouse Inc. (OWI)	**1,116,986,768**	1,116,986,768
Fertuna Holdings Corp. (FHC)	**320,378,250**	320,378,250
Alcorn Petroleum and Minerals Corporation (APMC)	**300,000,000**	300,000,000
Canaria Holdings Corporation (CHC)	**4,500,000**	4,500,000
Montosco Inc. (MI)	**-**	3,002,808,195
Meritus Prime Distributions, Inc. (MPDI)	**-**	2,844,379,140
Premier Wine and Spirits, Inc. (PWSI)	**-**	2,632,881,960
	P91,703,695,038	P77,683,764,333

Transactions with subsidiaries are disclosed in Note 16.

As discussed in Note 1, the Company acquired a controlling interest in TKHI in exchange for its ownership interest in MI, MPDI and PWSI under a share-swap arrangement. The interest in TKHI is recorded at the fair value of shares acquired amounting to P22.50 billion. The excess of the fair value over the total consideration, which comprised of the carrying values of MI, MPDI and PWSI, amounting to P14.02 billion is recognized as an equity transaction presented as “Equity reserve” in the statements of financial position.

Below is the effective percentage of ownership of the Company as at December 31:

	Effective Percentage of Ownership			
	2021		2020	
	Direct	**Indirect**	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) and Subsidiaries	**49.16**		49.16	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	**-**	**49.16**	-	49.16
S&R Pizza (Harbor Point), Inc.	**-**	**49.16**	-	49.16
S&R Pizza, Inc.	**-**	**49.16**	-	49.16
▪ PPCI Subic, Inc. (PSI)	**-**	**49.16**	-	49.16
▪ Entenso Equities Incorporated and Subsidiaries (EEI)	**-**	**49.16**	-	49.16
▪ Purepadala, Inc. (PPI)	**-**	**49.16**	-	49.16
Liquor Distribution				
The Keepers Holding Inc. (TKHI)*	**77.54[(a)]**	**-**	-	-
▪ Montosco, Inc.*	**-**	**-**	100	-
▪ Meritus Prime Distributions, Inc.*	**-**	**-**	100	-
▪ Premier Wine and Spirits, Inc.*	**-**	**-**	100	-
Real Estate and Property Leasing				
Nation Realty, Inc.	**100**	**-**	100	-
Patagonia Holdings Corp.	**100**	**-**	100	-
Ellimac Prime Holdings, Inc.	**100**	**-**	100	-
Fertuna Holdings Corp.	**100**	**-**	100	-
Pure Petroleum Corp.	**100**	**-**	100	-
NE Pacific Shopping Centers Corporation	**100**	**-**	100	-

Forward

	Effective Percentage of Ownership			
	2021		2020	
	Direct	**Indirect**	Direct	Indirect
Specialty Retail				
Office Warehouse, Inc. and a Subsidiary	**100**	**-**	100	-
▪ Office Warehouse (Harbor Point), Inc.	**-**	**100**	-	100
Canaria Holdings Corporation and Subsidiaries	**90**	**-**	90	-
Oil and Mining				
Alcorn Petroleum and Minerals Corporation	**100**	**-**	100	-

**See note 1 for the discussion on share swap with TKHI.*

All subsidiaries are incorporated in the Philippines and the functional currency is the Philippines peso.

9. Property and Equipment

The movements and balances of this account follow:

	Machinery and Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost					
January 1, 2020	P6,888,698	P6,724,446	P40,758,051	P -	P54,371,195
Additions	-	74,152	-	74,024,144	74,098,296
December 31, 2020	6,888,698	6,798,598	40,758,051	74,024,144	128,469,491
Additions	2,572,817	-	-	-	2,572,817
December 31, 2021	**9,461,515**	**6,798,598**	**40,758,051**	**74,024,144**	**131,042,308**
Accumulated Depreciation and Amortization					
January 1, 2020	6,249,050	6,314,691	720,078	-	13,283,819
Depreciation and amortization	439,319	326,611	8,036,332	-	8,802,262
December 31, 2020	6,688,369	6,641,302	8,756,410	-	22,086,081
Depreciation and amortization	300,858	154,859	8,013,875	-	8,469,592
December 31, 2021	**6,989,227**	**6,796,161**	**16,770,285**	**-**	**30,555,673**
Carrying Amounts					
December 31, 2020	P200,329	P157,296	P32,001,641	P74,024,144	P106,383,410
December 31, 2021	**P2,472,288**	**P2,437**	**P23,987,766**	**P74,024,144**	**P100,486,635**

10. Accounts Payable and Other Liabilities

This account as at December 31 consists of:

	Note	**2021**	2020
Accounts payable	*17*	**P141,657,861**	P140,963,682
Deferred output VAT		**106,478,480**	114,851,298
Withholding tax payable		**92,856,140**	128,172,498
Other payable to government agencies		**260,360**	70,399
Accrued expenses	*17*	**7,705**	2,858
Output VAT		**-**	9,568,867
		P341,260,546	P393,629,602

Accounts payable includes billed expenditures such as fixed asset acquisitions and building under construction.

Other payable to government agencies pertains to the Company’s outstanding obligation to government which includes SSS, Pag-ibig and Philhealth contributions, among others.

11. Long-term Loans

The movements and details of long-term loans as at December 31 are as follows:

	2021	2020
Balance at beginning of year	**P4,694,577,373**	P4,738,262,456
Payments during the year	**(4,700,000,000)**	(50,000,000)
Amortization of debt issuance cost	**5,422,627**	6,314,917
	-	4,694,577,373
Less current portion	**-**	3,766,956,618
	P -	P927,620,755

The balance long-term loans as at December 31 follows:

	Note	**2021**	2020
Fixed-rate peso-denominated loan of 5.58%	*a*	**P -**	P936,693,298
Fixed-rate peso-denominated loan of 5.27%	*b*	**-**	3,757,884,075
		-	4,694,577,373
Less current portion		**-**	3,766,956,618
		P -	P927,620,755

Movements in debt issuance costs as at December 31 are as follows:

	2021	2020
Balance at beginning of year	**P5,422,627**	P11,737,544
Less amortization during the year	**5,422,627**	6,314,917
Balance at end of year	**P -**	P5,422,627

Interest expense from these loans recognized in profit or loss amounted to P174.74 million and P269.99 million in 2021 and 2020, respectively.

On May 6, 2014, the Company entered into a Corporate Financing Facility in the aggregate principal amount of P5.00 billion to finance the Company's strategic acquisition plans and/or for other general corporate requirements.

a. 10-year, unsecured, peso-denominated loan with a consortium of two (2) local banks for P1.00 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. Debt issuance costs related to this loan amounted to P8.50 million. The repayment of the loan shall be made based on the following schedule: 1.00% of the principal amount on the first anniversary after Issue Date and every anniversary until the ninth anniversary; and 91.00% of the principal amount on maturity date.

b. 7-year, unsecured, peso-denominated loan with a consortium of six (6) local banks for P4.00 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. Debt issuance costs related to this loan amounted to P34.20 million. The repayment of the loan shall be made based on the following schedule: 1.00% of the principal amount on the first anniversary after issue date and every anniversary until the sixth anniversary; and 94% of the principal amount on maturity date.

These loan agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on guarantees, and payments of dividends.

As at December 31, 2020, the Company is compliant with the financial covenants.

These loans were fully paid on November 17, 2021.

12. Equity

Capital Stock

The details of the Company's common shares as at December 31 follow:

	2021		2020	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - P1.00 par value	**10,000,000,000**	**P10,000,000,000**	10,000,000,000	P10,000,000,000
Issued and outstanding:				
Issued	**7,405,263,564**	**P7,405,263,564**	7,405,263,564	P7,405,263,564
Less treasury stock	**(214,842,300)**	**(1,411,008,852)**	(207,009,900)	(1,370,606,670)
Outstanding	**7,190,421,264**	**P5,994,254,712**	7,198,253,664	P6,034,656,894
Treasury stock:				
Balance at beginning of year	**207,009,900**	**P1,370,606,670**	166,710,000	P1,121,719,543
Purchase of treasury shares	**7,832,400**	**40,402,182**	40,299,900	248,887,127
Balance at end of year	**214,842,300**	**P1,411,008,852**	207,009,900	P1,370,606,670

Treasury Stock

On December 18, 2014, the Company's BOD approved to buy back its common shares up to P1.00 billion, within one year from the approval date. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Company as not reflective of its fair corporate value. In 2021 and 2020, the Company renewed its program to buy back its shares for another year up to P2.00 billion.

Retained Earnings

Declaration of Cash Dividends

The Company's BOD approved cash dividends for common shareholders with the following details:

Type	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Cash	December 18, 2020	January 8, 2021	January 29, 2021	0.12
Cash	December 18, 2020	January15, 2021	February 9, 2021	0.04
Cash	December 21, 2021	January 10, 2022	February 3, 2022	0.08
Cash	December 21, 2021	January 10,2022	February 3, 2022	0.04

As at December 31, 2021 and 2020, the Company has unpaid dividends amounting to P770.07 million and P1.02 billion, respectively.

13. Earnings Per Share

Basic EPS is computed as follows:

	2021	2020
Net income	**P1,633,152,794**	P1,440,987,607
Weighted average number of shares outstanding - basic	**7,193,720,384**	7,054,849,783
Basic EPS	**P0.23**	P0.20

There were no potential dilutive common shares in both years.

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transaction during the year.

14. Lease Agreement

The Company entered into an agreement for the lease of new office space on June 16, 2017. The term is for one (1) year and renewable under such terms and conditions that shall be agreed upon by both parties. The lease was renewed for another year in 2021.

Rent expense recognized in profit or loss amounted to P0.47 million in 2021 and P0.46 million in 2020.

15. Income Taxes

The components of income tax expense are as follows:

	2021	2020
Current	**P -**	P5,219,376
Deferred	**1,239,697**	(447,850)
Adjustment in prior year taxes due to amendments in tax rate	**(1,304,844)**	-
	(P65,147)	P4,771,526

The Company is in a tax loss position in 2021.

The current income tax in 2020 represents the MCIT.

The net deferred tax assets recognized as at December 31 consists of:

	2021	2020
Allowance for impairment losses on other receivables	**P2,024,290**	P2,429,148
Unrealized foreign exchange loss (gain)	**(386,989)**	447,850
	P1,637,301	P2,876,998

The Company has not recognized the following carryforward benefits of NOLCO and MCIT since management believes that the Company will not be able to realize them prior to expiration:

	2021	2020
MCIT	**P3,914,532**	P12,346,801
NOLCO	**82,560,783**	23,912,538
	P86,475,315	P36,259,339

The details of NOLCO as at December 31, 2021 are as follows:

Year Incurred	Amount Incurred	Applied	Expired	Remaining Balance	Expiry Date
2021	P250,534,673	P -	P -	P250,534,673	December 31, 2026
2020	79,708,460	-	-	79,708,460	December 31, 2025
	P330,243,133	P -	P -	P330,243,133	

The details of MCIT as at December 31, 2021 are as follows:

Year Incurred	Amount Incurred	Expired	Remaining Balance	Expiry Date
2020	P3,914,532	P -	P3,914,532	December 31, 2023
2018	8,432,269	(8,432,269)	-	December 31, 2021
	P12,346,801	(P8,432,269)	P3,914,532	

16. Related Party Transactions

Other than the items disclosed in Notes 8 and 13, the Company's significant transactions and balances with related parties as at and for the years ended December 31 follow:

Category/Transaction	***Note***	**Year**	**Amount of the Transaction**	**Due from Related Parties**	**Terms**	**Conditions**
Subsidiaries						
▪ Advances	*5, a*	**2021**	**P -**	**P5,174,950,861**	Due and demandable;	Unsecured; not impaired
		2020	-	5,436,651,925	interest and non-interest-bearing	
▪ Interest income	*a*	**2021**	**-**	**103,006,128**	Due and demandable;	Unsecured; not impaired
		2020	260,968,775	172,779,608	non-interest-bearing	
▪ Loans receivable	*5, b*	**2021**	**440,632,000**	**3,637,499,809**	Due and demandable;	Unsecured; not impaired
		2020	-	3,224,571,945	non-interest-bearing	
▪ Dividend income	*c*	**2021**	**1,881,975,831**	**1,500,433,590**	Due and demandable;	Unsecured; not impaired
		2020	1,534,934,124	2,429,604,359	non-interest-bearing	
▪ Management fees	*d*	**2021**	**-**	**136,000,000**	Due and demandable;	Unsecured; not impaired
		2020	-	136,000,000	non-interest-bearing	
▪ Arrangement fees	*e*	**2021**	**-**	**626,403,354**	Due and demandable;	Unsecured; not impaired
		2020	-	626,403,354	non-interest-bearing	
▪ Output VAT from interests, arrangement and management fees		**2021**	**-**	**106,478,480**	Due and demandable;	Unsecured; not impaired
		2020	87,440,677	114,851,298	non-interest-bearing	
▪ Other		**2021**	**564,950**	**597,025**	Due and demandable;	Unsecured; not impaired
		2020	6,856,733	7,040,526	non-interest-bearing	
Affiliates						
▪ Other	*a*	**2021**	**99,456**	**99,456**	Due and demandable;	Unsecured; not impaired
		2020	89,900	127,105	non-interest-bearing	
Total		**2021**		**P11,285,468,703**		
Total		2020		P12,148,030,120		

a. The Company grants cash advances to its subsidiaries for working capital requirements and repayments of their loans. Total collections amounted to P261.70 million in 2021 and P578.43 million in 2020. The outstanding balances amounted to P5.17 billion and P5.44 billion as at December 31, 2021 and 2020. Interest income from these advances amounted to nil in 2021 and P260.97 million in 2020.

b. On July 17, 2014, the Company extended a loan to CHC amounting to P3.43 billion for the acquisition of Liquigaz Petroleum Corp. (LPC). The loan is non-interest-bearing. The Company collected P27.70 million in 2021 and P204.64 in 2020. The outstanding balance amounted to P3.64 billion and P3.22 billion as at December 31, 2021 and 2020, respectively. In 2021, the Company extended additional loans to CHC amounting to P440.63 million with similar terms and conditions as the initial loan.

c. In 2021 and 2020, the Company's wholly-owned subsidiaries declared dividends as follows:

	2021	2020
PPCI	**P705,433,594**	P634,890,235
PPC	**706,500,000**	50,000,000
NEPSCI	**200,000,000**	-
TKHI	**270,000000**	-
CHC	**-**	450,000,000
MI	**-**	200,000,000
OWI	**-**	200,000,000
	P1,881,933,594	P1,534,890,235

The outstanding balances of dividends receivable amounting to P1.50 billion and P2.43 billion as at December 31, 2021 and 2020, respectively, are payable on due date. These are unsecured, non-interest bearing and unimpaired.

d. The Company charges management fees to PWSI and NRI for management, consulting and financial services. The total outstanding balances amounted to P136.00 million as at December 31, 2021 and 2020.

e. The Company billed CHC for services and assistance extended in relation to the sale of LPC shares to Fernwood Holdings, Inc. The related outstanding balance amounted to P626.40 million as at December 31, 2021 and 2020.

Key Management Personnel
The compensation of key management personnel amounted to P7.00 million each in 2021 and 2020.

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

17. Financial Risk Management Objectives and Policies

Objectives and Policies
The Company has significant exposure to the following financial risks primarily from its use of financial instruments.

- Credit Risk
- Liquidity Risk
- Market Risk
- Interest Rate Risk

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

The Company’s principal financial instrument is cash and cash equivalents. Cash and cash equivalents are used to fund the Company’s operations and capital expenditures.

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

The Company’s risk management policies are established to identify and analyze the risks faced by the Company, 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 Company’s activities. All risks faced by the Company 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 Company’s operations and detriment forecasted results. The Company, 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 Company 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 Company's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

	Note	**2021**	2020
Cash and cash equivalents*	*4*	**P222,211,864**	P3,620,630,046
Loans receivable	*16*	**3,637,499,809**	3,224,571,945
Other receivables - net	*5, 16*	**2,473,121,223**	3,486,816,240
Advances to subsidiaries	*16*	**5,174,950,861**	5,436,651,925
Financial asset at FVOCI	*6*	**5,096,013**	6,677,489
Rent security deposits**	*7*	**118,303**	118,303
		P11,512,998,073	P15,775,465,948

**Excluding cash on hand.*
***Included in "Other current assets" account in the statements of financial position.*

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

	As at December 31, 2021			
	Grade A	**Grade B**	**Grade C**	**Total**
Financial assets at amortized cost:				
Cash and cash equivalents*	**P222,211,864**	**P -**	**P -**	**P222,211,864**
Loans receivable	**-**	**3,637,499,809**	**-**	**3,637,499,809**
Other receivables:				
Dividends receivable	**1,425,433,590**	**75,000,000**	**-**	**1,500,433,590**
Due from related parties	**107,174,961**	**762,403,354**	**-**	**869,578,315**
Interest receivable	**103,006,128**	**-**	**-**	**103,006,128**
Others	**103,190**	**-**	**8,097,160**	**8,200,350**
Advances to subsidiaries	**-**	**5,174,950,861**	**-**	**5,174,950,861**
Rent security deposits**	**118,303**	**-**	**-**	**118,303**
Financial assets at FVOCI:				
Investment in common shares:				
Quoted	**5,096,013**	**-**	**-**	**5,096,013**
	P1,863,144,049	**P9,649,854,024**	**P8,097,160**	**P11,521,095,233**

**Excluding cash on hand.*
***Included in "Other current assets" account in the statements of financial position.*

	As at December 31, 2020			
	Grade A	Grade B	Grade C	Total
Financial assets at amortized cost:				
Cash and cash equivalents*	P3,620,630,046	P -	P -	P3,620,630,046
Loan receivable	-	3,224,571,945	-	3,224,571,945
Other receivables:				
Dividends receivable	1,534,890,235	894,714,124	-	2,429,604,359
Due from related parties	7,135,631	877,254,652	-	884,390,283
Interest receivable	172,779,608	-	-	172,779,608
Others	41,990	-	8,097,160	8,139,150
Advances to subsidiaries	-	5,436,651,925	-	5,436,651,925
Rent security deposits**	118,303	-	-	118,303
Financial assets at FVOCI:				
Investment in common shares:				
Quoted	6,677,489	-	-	6,677,489
	P5,342,273,302	P10,433,192,646	P8,097,160	P15,783,563,108

**Excluding cash on hand.*
***Included in "Other current assets" account in the statements of financial position.*

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

a. Cash and cash equivalents are 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 risk for investment in debt securities are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Loans receivable, other receivables and advances to subsidiaries were assessed as high grade since the counterparties have a very remote likelihood of default and have consistently exhibited good paying habits, have a high profitability of collection and there is no history of default.

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

The Company applies the simplified approach using provision matrix in providing for ECL which permits the use of the lifetime expected loss provision for receivables. The expected loss rates are based on the Company'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.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company 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 Company'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 excluding the impact of netting agreements:

	As of December 31, 2021			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Accounts payable and accrued expenses*	**P141,665,566**	**P141,665,566**	**P141,665,566**	**P -**
Dividends payable	**770,068,568**	**770,068,568**	**770,068,568**	**-**
	P911,734,134	**P911,734,134**	**P911,734,134**	**P -**

Excluding withholding tax payable and other payable to government agencies.

	As of December 31, 2020			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Accounts payable and accrued expenses*	P140,966,540	P140,966,540	P140,966,540	P -
Dividends payable	1,023,929,347	1,023,929,347	1,023,929,347	-
Long-term loans	4,694,577,373	4,979,222,120	3,766,956,618	927,620,755
	P5,859,473,260	P6,144,118,007	P4,931,852,505	P927,620,755

Excluding withholding tax payable and other payable to government agencies.

The Company's current liabilities as of December 31, 2021 and 2020 amounted to P1.11 billion and P5.18 billion, respectively, which are less than its current assets of P11.53 billion and P15.79 billion, respectively. Thus, the Company has sufficient funds to pay for its current liability and has minimal liquidity risk.

Market Risk

Market risk is the risk that changes in market prices such as interest rates that will adversely affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is subject to various market risks, including risks from changes in foreign currency risk, interest rate risk and equity price risk.

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 Company may be exposed exposed to interest rate risk on interest earned on cash deposits in banks which have variable rates exposing the Company further to cash flow interest rate risk. However, the management believes that the Company is not significantly exposed to interest rate risk since its long-term loans have fixed rates and are carried at amortized cost.

The Company's policy is to obtain the most favorable interest available without increasing its interest rate risk exposure.

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy remains unchanged for 2021.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2021	2020
Total liabilities	**P1,111,329,114**	P6,112,136,322
Total equity	**102,231,985,838**	87,483,736,551
Debt to equity	**P0.01:1.00**	P0.07:1.00

The Company defines capital as equity, which includes capital stock, additional paid in capital, reserve for changes in value of financial assets at FVOCI, equity reserves and retained earnings.

Fair Values

Cash and Cash Equivalents, Loans Receivable, Other Receivables, Advances to Subsidiaries, Rent Security Deposits, Accounts Payable and Accrued Expenses, and Dividends Payable

The carrying amounts approximate their fair values primarily due to the relatively short-term maturities of these financial instruments. The carrying amounts of accrued expenses and other payables and dividends payable approximate fair value due to the relatively short-term maturities of these financial instruments.

Long-term Loans

The carrying amount approximates its fair value because the difference between the interest rate of this instrument and the prevailing market rate for a similar instrument is not considered significant.

Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2021 and 2020, the Company has no financial instruments valued based on Levels 2 and 3.

During the year, there were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

18. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Under Revenue Regulations (RR) No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. The following are the tax information required under RR No. 15-2010 for the taxable year ended December 31, 2021:

A. VAT

1. Output VAT	**P8,372,818**
Account title used:	
Basis of output VAT:	
Vatable services	**P69,773,483**

2. Input VAT	
Beginning of the year	
Current year's domestic purchases:	
a. Services lodged under other accounts	**P1,162,661**
b. Purchase of goods other than capital goods	**17,281**
c. Purchase of capital goods	**10,379**
Claims for tax credit /refund and other adjustments	**(425,817)**
	P764,504

B. Withholding Taxes

Final withholding tax	**P127,791,240**
Expanded withholding taxes	**25,577,516**
Tax on compensation and benefits	**2,218,434**
	P155,587,190

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Expenses	
Penalties	**P6,017,684**
License and permit fees	**3,129,334**
Documentary stamp tax	**8,410,297**
	P17,557,315

D. Deficiency Tax Assessments

The Company has received tax assessment for the taxable year 2019 amounting to P6.02 million and this was settled as at year ended December 31, 2021.

E. Tax Cases

The Company has not been involved in any tax cases as at and for the year ended December 31, 2021.

The taxes applicable to the Company are limited to the items disclosed above.