

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter

Cosco Capital, Inc.

3. Province, country or other jurisdiction of incorporation or organization

Manila, Philippines

4. SEC Identification Number

147669

5. BIR Tax Identification Code

000-432-378

6. Address of principal office

No. 900 Romualdez St., Paco, Manila

Postal Code

1007

7. Registrant's telephone number, including area code

09178612459

8. Date, time and place of the meeting of security holders

June 24, 2022, Friday, 10 am, Via Zoom Online Meeting

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 20, 2022

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

We are not asking for Proxy Solicitations

Address and Telephone No.

N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

13. 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

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Cosco Capital, Inc.

COSCO

**PSE Disclosure Form 17-5 - Information Statement for Annual or
Special Stockholders' Meeting**
*References: SRC Rule 20 and
Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	Jun 24, 2022
Type (Annual or Special)	Annual
Time	10:00AM
Venue	via Zoom Online Meeting
Record Date	Apr 25, 2022

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Apr 25, 2022
End date	Jun 24, 2022

Other Relevant Information

The amendment on the Definitive Information Statement refers to several portions in the Management Discussion and Analysis, particularly on pages 3, the amount of uptick in revenue, pages 4 and 6, disclosure on extended waiver for rentals in the commercial establishment, and page 10 for the number of stores that Puregold opened in 2021. Please see attached Definitive Information Statement of Cosco Capital, Inc. for the year 2022 with revised Management Discussion and Analysis.

Filed on behalf by:

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



June 1, 2022

Securities and Exchange Commission
PICC Complex, Roxas Boulevard, Pasay City

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

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

Attention: Ms. Alex D. Tom Wong
OIC, Disclosure Department

Re: Definitive Information Statement 2022 (SEC 20- IS)

Gentlemen:

For submission is the attached Definitive Information Statement (SEC Form 20-IS) of Cosco Capital, Inc. for its forthcoming Annual Stockholders' Meeting scheduled on June 24, 2022, Friday, 10 am, following the Company's Bylaws.

Please see below Cosco's reply to SEC comments in the Preliminary Information Statement dated May 26, 2022.

<u>SEC Comments</u>	<u>Company Reply</u>
1. Information re Material Pending Legal Proceeding	Page 13
2. Information re Significant Employees	Page 13
3. Information re Independent Public Accountant	Page 15
4. Information re Management's Discussion and Analysis	Please refer to table below

<u>SEC Comments</u>	<u>Company Reply</u>
It was disclosed that "Revenues generated in 2020 experienced a robust growth and uptick, particularly in the first quarter due to consumer panic buying". Please quantify this.	The uptick in revenue amounted to P5.04 billion due to consumer panic buying (<i>See Page 4 of 17Q Q12020</i>)
It was disclosed that "management continued to extend rental reliefs and related supports to its affected tenants portfolio during 2021" Please provide your tenants portfolio or category classification of their business by percentage to the total lease revenue.	Warehouse: 20.97% Banks: 6.14% Food-national brands: 11.17% Nonfood – Retail / Service: 53.35% Government offices: 0.05% Pharmacies: 4.59% Food-MSME: 1.62% Kiosk: 2.10%
Inventories increased by 1.91% from 2020 balance of P24.91 Billion to this year's balance of P25.39Billion due to the additional stocking requirement of existing and new operating stores in the Grocery Retail	This increase amounted to P640.31 million (<i>See Page 8 of annual MDA 2021- consolidated statement of financial position</i>)

segment" Please disclose and quantify the effect of other stocking requirement.	
Is the additional stocking requirement a management prerogative? What are the factors considered by the management with this?	Yes, inventory management and stocking level is purely an exercise of management prerogative but guided by working capital optimization strategies. And opening new organic stores would require additional inventory stocking requirements that will always be maintained at the store level, subject to replenishments based on sales performance.
An increase in PPE is due to new stores established by the Grocery Retail Segment. How many new operating stores? Please also quantify the PPE cost as a result of opening new stores.	Total of 32 new stores, cost of P3.68 billion (<i>See Page 8 of annual MDA 2021- consolidated statement of financial position and Page 39 of the notes to the consolidated financial statements</i>)
Please provide the reason for the increase in Investment properties-net.	Carrying values of investment property increased due to additional acquisitions made during 2021 (<i>See Page 8 of annual MDA 2021- consolidated statement of financial position</i>)
Please provide an analysis of the performance indicators	Please refer to Annex A of MDA for the annual report (<i>See Page 1 of annual MDA 2021</i>)

Thank you, and we hope we have responded to SEC's inquiries.

Very truly yours,


CANDY H. DACKMAY – DATUON
Assistant Corporate Secretary

COVER SHEET

0 0 0 0 0 1 4 7 6 6 9

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

Month Day

SEC FORM 20-IS

(Form Type)

0 6 2 5

Month Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.

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

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement

2. **Cosco Capital, Inc.**
Name of Registrant as specified in its charter:

3. **No. 900 Romualdez St., Paco, Manila**
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **147669**

5. BIR Tax Identification Code: **000-432-378**

6. **No. 900 Romualdez St., Paco, Manila** **1007**
Address of principal office Postal Code

7. **+639178612459**
Registrant's telephone number, including area code:

8. **June 24, 2022, Friday 10 am, Via Zoom Online Meeting**
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 20, 2022**

10. In case of Proxy Solicitations: **We are not asking for Proxy Solicitations.**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes [x] No []

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



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Our Stockholders:

Please be informed that the Annual Stockholders' Meeting of **COSCO CAPITAL, INC.** will be on **June 24, 2022, Friday, at 10:00 am, via Zoom Online Meeting.**

AGENDA

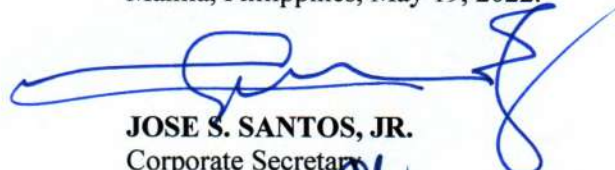
1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Previous Meeting and Ratification of Acts and
4. Resolutions of the Board of Directors and Management in 2021
5. Annual Report and Approval of the 2021 Audited Financial Statements
6. Election of Regular Directors and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

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

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

The stockholders who are attending by proxies should e-mail their duly accomplished form to corporate.governance@coscocapital.com on or before June 20, 2022. The Company will validate the votes on June 21, 2022, at 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

Manila, Philippines, May 19, 2022.



JOSE S. SANTOS, JR.
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. Call to Order

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

2. Certification of Notice and Quorum

The Corporate Secretary, Atty. Jose S. Santos, Jr., will certify that notice of the meeting to stockholders was posted on the Philippine Stock Exchange Edge platform and duly published in accordance with the Notice of the Securities and Exchange Commission dated February 16, 2022. She will also certify that there is a quorum to transact business in the meeting.

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

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

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

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

5. Election of Regular and Independent Directors

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

As regular directors:

- a. Mr. Lucio L. Co
- b. Mrs. Susan P. Co
- c. Mr. Leonardo B. Dayao
- d. Mr. Roberto Juanchito T. Dispo
- e. Mr. Levi B. Labra
- f. Mr. Jaime J. Bautista

As independent directors:

- a. Mr. Robert Y. Cokeng
- b. Mr. Oscar S. Reyes
- c. Mr. Bienvenido E. Laguesma

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

6. Amendment of the Bylaws

A resolution to approve the proposed revisions in the Company's bylaws will be presented for stockholders' approval.

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

A resolution to re-appoint R.G. Manabat & Company (KPMG) as the External Auditor of the Company and its subsidiaries for the calendar year 2022 with audit fees of up to P8 million will be presented for stockholders' approval.

8. Other Matters

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

PART 1: INFORMATION REQUIRED IN THE INFORMATION STATEMENT

A. GENERAL INFORMATION

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

- (a) June 24, 2022, Friday, 10:00 AM, via Zoom Meeting
Principal Office: No. 900 Romualdez St., Paco, Manila 1007
- (b) The Information Statement will be available on the Company's website, www.coscocapital.com, beginning on May 20, 2022.

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

Item 2. Dissenters' Right of Appraisal

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders

- (a) Number of outstanding shares as of April 25, 2022:
7,187,529,764 common shares

Number of votes entitled: one (1) vote per share
- (b) All stockholders on record, as of April 25, 2022, shall be entitled to vote in the meeting.
- (c) Section 23 of the Revised Corporation Code states that stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation as of record date. The said stockholder may: (a) vote such number of shares for as many as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by a number of shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit. Provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number of directors to be elected.

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

(d) Security Ownership of Certain Beneficial Owners and Management

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

Title of Class	Name, Address of record owner	Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	Percent
Common	Mr. Lucio L. Co	Chairman	Direct	Filipino	2,380,741,492	33.11%
Common	Mrs. Susan P. Co	Vice-Chairman	Direct	Filipino	1,780,182,230	24.77%

2. Security Ownership of Directors and Executive Officers of the Company as of April 25, 2022:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Lucio L. Co	Direct	Filipino	2,380,741,492	33.11%
Common	Susan P. Co	Direct	Filipino	1,780,182,230	24.77%
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	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%

3. None of the officers or directors have any voting trust agreement for their ownership of the Company's stocks.
4. Foreign ownership level as of April 25, 2022:
945,875,012 common shares, or 13% of the Company's outstanding capital stock.

Item 5. Directors and Executive Officers

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

(i) Directors

The Company's board of directors comprises seven members, five are male, and two are female. All the directors are nominees to be re-elected in the forthcoming stockholders' meeting.

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, LCKK & Sons Realty Corporation, Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation and VS Grial 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: 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, 58 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, Blacksbury 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 and Independent Director of Philippine Bank of Communications (both PSE-listed companies), 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 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. It appoints officers who will assume the positions of President, Treasurer, Corporate Secretary, Compliance Officer, Lead Independent Director, Internal Auditor, and the committee members. 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, 64 years old,
Group Comptroller since 2014

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 its subsidiaries. He continues to hold this portfolio up to the present. In April 2015, he was directly appointed, in 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. (a publicly-listed company) 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 in Commerce major in Accounting in 1978 and passed the CPA Board Examination in October 1979. He completed a Management Development Program at 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 (1988-1996) 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 Bachelor of Science in Accountancy degree. 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. Sy is also the President of Dearborn Realty Corporation, S&R Pizza (Harbor Point), Inc. and S&R Pizza, Inc. and Director of Ayagold Retailers, Inc. and PSMT Philippines, Inc.

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.

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.

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 but on the collective effort of all its employees.

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.
3. Mr. Robin Derrick C. Chua is a nephew of Mr. Lucio and Mrs. Susan Co.

Involvement in Certain Legal Proceedings

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

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

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

For discussion of related party transactions and the director's self-dealings, please refer to *Annex "C"* hereof.

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

Item 6. Compensation of Directors and Executive Officers

The Company pays a fixed monthly compensation to its employees subject to periodic performance reviews. The board members receive per diem allowances of P50,000.00 per board meeting and P20,000 per committee meeting. The Company held seven board meetings and four committee meetings in 2021.

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
1. Lucio L. Co, Chairman				
2. Susan P. Co, Vice-Chairman				
3. Leonardo B. Dayao, President				
4. Teodoro A. Polinga, Comptroller				
5. 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	P7,200,000.00	-	-
	Projected			
Aggregate compensation paid to all other officers and managers	2020	P3,139,196.00	-	-
	2021	P2,381,005.00	-	-
	2022	P3,542,000.00	-	-
	Projected			

(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 or salaries.

(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 or salaries.

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

All employees, including executive and principal officers, have employment contracts with the Company, which are consistent with the existing labor laws of the country.

(E) Warrants and Options

The Company has no warrants or options.

Item 7. Independent Public Accountants

(a) The Company's external auditor in 2021:

Mr. Dindo Marco M. Dioso
 Handling Audit Partner
 CPA License No. 0095177
 SEC Accreditation No. 95177-SEC (Group A) valid until 2023.
 Tax Identification No. 912-365-765
 The KPMG Center, 9/F 6787 Ayala Avenue, Makati City Philippines
 +63 (2) 885 7000

(b) Upon the favorable recommendation of the Audit Committee, the board is recommending the same principal accountant for the year 2022.

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

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

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

(f) The Company paid R.G. Manabat & Company P8,010,500 in 2020 and 2021 as Audit Fee.

On March 31 and June 30, 2021, The Keepers Holdings, Inc. (a Cosco Capital subsidiary) engaged R.G. Manabat & Company to provide assurance services involving review of Pro Forma Consolidated Financial Statements for the years ending December 31, 2020, 2019, and 2018 as well as the first quarter of 2021 including other related transaction support services in compliance with regulatory filing requirements for in preparation for The Keepers' Share Swap transaction and Follow-On Public Offering in the Philippine Stock Exchange. The Keepers Holdings, Inc. paid R.G. Manabat & Company a total of P4.7 million for these assurance services.

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

No action is to be taken concerning the authorization or issuance of any securities other than for exchange for the Company's outstanding securities during the meeting.

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

Please refer to the Company's 2021 Consolidated Audited Financial Statements attached as *Annex "D"*, Management Discussion and Analysis as "*Annex E*", and the First Quarter – 2022 Financial Report as *Annex "F"*.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matter

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

No action is to be taken concerning the restatement of any asset, capital, or surplus account of the Company during the meeting.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

- (a) Minutes of the 2021 Annual Stockholders' Meeting
- (b) Annual Report and the 2021 Consolidated Audited Financial Statements.

Item 16. Matters Not Required to be Submitted

No action is to be taken concerning any matter that is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, Bylaws, or Other Documents

On May 19, 2022, the Company's board of directors approved amending the Company's bylaws to include the conduct of stockholders and board meetings by remote communications, sending of notices by electronic transmission, and the right of the stockholders to vote by remote communications or in absentia. The details of the amendments are presented in the table below:

<i>From</i>	<i>To</i>
<p>Section 2 Article 11</p> <p>Shares of stock shall be transferred by delivery of the certificate endorsed by the owner or his attorney-in-fact or other person legally authorized to make the transfer, but no transfer shall be valid effective insofar as the corporation is concerned until duly registered upon the books of the company, and before a new certificate is issued, the old certificate must be entered for cancellation upon the face thereof, and the Secretary shall keep the canceled certificate as proof of substitution.</p> <p>The stock book of corporation shall be closed for transfers ten (10) days next preceding general elections of directors and officers and during ten (10) days next preceding date upon which dividend are declared payable and during each additional time as the Board of Directors may from time to time determine and fix.</p>	<p>Section 2 Article II</p> <p>Shares of stock shall be transferred by delivery of the certificate endorsed by the owner or his attorney-in-fact or another person legally authorized to make the transfer. But no transfer shall be effective insofar as the corporation is concerned until it is duly registered in its books and before the new certificate is issued. The old certificate must be entered for cancellation upon the face thereof, and the Secretary shall keep the canceled certificate as proof of substitution.</p> <p><u>The stock and transfer book shall be closed for transfer at least twenty (20) days for regular meetings and seven (7) days for special meetings before the scheduled date of the stockholders meeting.</u></p> <p><u>The Board of Directors shall fix a record date to determine the stockholders entitled to notice of or vote at any meeting of stockholders or any adjournment thereof.</u></p>
<p>Section 1 Article III</p> <p>The annual meetings of the stockholders of this corporation shall be held in Metro Manila on the last Friday of June of each year at such hour as stated in the notice of meetings which the Board of Directors may determine.</p>	<p>Section 1 Article III</p> <p>The annual meeting of the stockholders of this corporation shall be held in Metro Manila on the last Friday of June of each year at such time as may be fixed by the Board of Directors.</p> <p><u>The corporation may conduct physical or entirely virtual meetings subject to the applicable guidelines of the Securities and Exchange Commission.</u></p>
<p>Section 2 Article III</p> <p>The special meetings of the stockholders may be called at the principal office of the corporation at</p>	<p>Section 2 Article III</p> <p>The special meetings of the stockholders may be called at the principal office of the corporation at any time by</p>

<p>any time by resolution of the Board of Directors or by order of the President.</p>	<p>resolution of the Board of Directors or by order of the President.</p> <p><u>The corporation may conduct physical or entirely virtual special meetings subject to the applicable guidelines of the Securities and Exchange Commission.</u></p>
<p>Section 3 Article III</p> <p>Notice of meeting written or printed for every regular or special meetings of the stockholder shall be prepared and mailed to the registered post office address of each stockholder or personally served upon each of them at least thirty (30) days prior to the date set for such meeting, and if for a special meeting, such notice shall state the object or objects of the same. No failure or irregularity of notice of any regular meeting shall invalidate such meeting or any proceeding threat when the stockholders thereof voted without protest. No publication of notice of meeting in the public newspapers shall be required. Such written notice, however, may be waived in writing by the stockholders.</p>	<p>Section 3 Article III</p> <p>Notices <u>and information statements</u> for regular or special meetings of stockholders shall be sent to stockholders by <u>electronic transmission</u> or by other means the Securities and Exchange Commission shall allow under its guidelines. <u>The notice shall be sent to stockholders on record twenty-one (21) days before the regular meeting and seven (7) days before the special meeting.</u></p> <p>The notice shall state the date, hour, place, and purposes for which the meeting is called.</p> <p><u>Electronic transmission means the delivery or transfer of data, information, or document by electronic email, posting on the company website and the Philippine Stock Exchange disclosure system, or other means of electronic transfer of data or information.</u></p> <p>No failure or irregularity of notice of any regular meeting shall invalidate such meeting or any proceeding threat when the stockholders thereof voted without protest. No publication of notice of meeting in the public newspapers shall be required. Such written notice, however, may be waived in writing by the stockholders.</p>
<p>Section 6 Article III</p> <p>At each meeting of the stockholders, every stockholder shall be entitled to vote in person or by proxy, and he shall have one vote for each share of stock standing in his name on the books of the corporation at the time of the closing of the transfer books on the day preceding the meeting; provided, however, that all meetings for the election of directors the shares of stocks will be voted as provided in Section 24 of the Corporation Code.</p>	<p>Section 6 Article III</p> <p><u>A stockholder may vote in person, by proxy, through remote communication, or in absentia subject to the applicable guidelines of the Securities and Exchange Commission. He shall have one vote for each share of stock standing in his name on the corporation's books at the record date fixed in the bylaws or the Board of Directors. Provided, however, that in all meetings for the election of directors, the shares of stocks shall be voted following Section 23 of the Revised Corporation Code.</u></p>
<p>Section 7 Article III</p> <p>Election of the directors shall be held at the annual meeting of stockholders to be held on the LAST FRIDAY OF JUNE of every year as herein provided and shall be done by a majority of stock represented in the meeting and shall be conducted in the manner provided by the Corporation Law of the Philippines, as and with such a formality and in such manners as the officer presiding at the meeting shall then and there determine and</p>	<p>Section 7 Article III</p> <p>Election of the directors shall be held at the annual meeting of stockholders every last Friday of June of every year and shall be done in the manner provided by the Revised Corporation Code.</p> <p>All nominations for the position of Director must be received by the Corporate Governance Committee of the corporation on or before the record date fixed by</p>

provide. ALL NOMINATIONS FOR THE POSITION OF DIRECTOR MUST BE RECEIVED BY THE CORPORATE SECRETARY AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO SUBMISSION OF THE DISCLOSURE TO THE SEC AS PROVIDED IN THE SECURITIES REGULATION CODE.

Any stockholder having at least five million (5,000,000) shares registered in his name in the books of the corporation may be elected director, provided however that no person shall qualify or be eligible for nomination or election as director if such person (i) is an antagonistic-competitor of the Corporation, or (ii) is engaged in the distribution or trading of securities listed in the Philippine Stock Exchanges. Without limiting the generality of the foregoing, a person shall be deemed to be an antagonistic-competitor to the Corporation or engaged in the distribution or trading securities:

(a) if such person, directly or indirectly, either by himself or through persons known to be associated with him, under his influence or control, has done or caused to be done acts deemed inimical to the interest, business or goodwill of the Corporation;

(b) if he is a director, officer, manager or controlling person of, or the owner (either of rector or beneficially) of 10% or more of any outstanding class of shares of a corporation or partnership engaged in the distribution or trading of securities listed in Philippine Stock Exchanges; or

(c) if he is an agent, trustee, partner, nominee, director, officer or employees of or if he is a spouse or relative within the 4th civil degree, either by consanguinity or affinity of, or a person controlling, controlled by or under common control with any person set forth above.

The determination of whether a person is disqualified to become a director under this Section shall be made by a Committee of three (3) disinterested persons, who may or may not be stockholders of the Corporation, to be appointed by the Board of Directors. The decision of the Committee shall be binding on the Corporation if concurred in by at least two (2) members and such decisions shall be divulged to the stockholders during the relevant Annual Meeting.

There shall be elected to the Board of Directors, the number of independent directors as required by laws by law or regulation as of the date of election. The nomination and election of the qualified directors shall be governed by the provisions of Section 38 of the Securities

the Board of Directors for attending the annual stockholders meeting.

Any stockholder having at least five million (5,000,000) shares registered in his name in the books of the corporation may be elected director, provided however that no person shall qualify or be eligible for nomination or election as director if such person (i) is an antagonistic-competitor of the Corporation, or (ii) is engaged in the distribution or trading of securities listed in the Philippine Stock Exchange. Without limiting the generality of the foregoing, a person shall be deemed to be an antagonistic-competitor to the Corporation or engaged in the distribution or trading securities:

(a) if such person, directly or indirectly, either by himself or through persons known to be associated with him, under his influence or control, has done or caused to be done acts deemed inimical to the interest, business or goodwill of the Corporation;

(b) if he is a director, officer, manager or controlling person of, or the owner (either of rector or beneficially) of 10% or more of any outstanding class of shares of a corporation or partnership engaged in the distribution or trading of securities listed in Philippine Stock Exchanges; or

(c) if he is an agent, trustee, partner, nominee, director, officer or employees of or if he is a spouse or relative within the 4th civil degree, either by consanguinity or affinity of, or a person controlling, controlled by or under common control with any person set forth above.

The determination of whether a person is disqualified to become a director under this Section shall be made by the Corporate Governance Committee.

There shall be elected to the Board of Directors, the number of independent directors as required by laws by law or regulation as of the date of election. The nomination and election of the independent directors shall be governed by the provisions of Section 38 of the Securities Regulations Code and its implementing rules and regulations. The Chairman of meeting shall inform all Stockholders in attendance of the mandatory requirement of electing independent director/s. In case of failure of election for independent director/s, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.

<p>Regulations Code and its implementing rules and regulations. The Chairman of meeting shall inform all Stockholders in attendance of the mandatory requirement of electing independent director/s. In case of failure of election for independent director/s, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.</p>	
<p>Section 7 Article IV</p> <p>The regular annual meeting of the Board of Directors shall be held at the principal office of the corporation at such other place in or outside the Philippines, as the majority of the majority of the directors may designate from time to time, immediately after the annual meeting of the stockholders, or as soon as possible thereof, for the purpose of electing the officers of the corporation for the ensuing year and transacting any other business that may properly come before the meeting.</p>	<p>Section 7 Article IV</p> <p><u>The Board of Directors shall meet at least six (6) times per calendar year. The dates of which shall be set at the beginning of the year.</u></p> <p><u>Regular meetings of the Board of Directors shall be presided over by the Chairman or, in his absence, by any other director chosen by the Board.</u></p> <p><u>Regular meetings of the Board of Directors may be conducted in person or through remote communications such as videoconferencing, teleconferencing, or other alternative modes of communication allowed by the Securities and Exchange Commission.</u></p>
<p>Section 8 Article IV</p> <p>Special meeting of the Board of directors shall be held in the principal office of the corporation or at such other place in or outside the Philippines, as may be designated in the call, and may be called by the President at any time; or by the majority of the Board of such special meetings may be held at any time and place without notice by unanimous written consent of all members of the Board, or with the presence and participation of all members of the Board.</p>	<p>Section 8 Article IV</p> <p><u>The Board of Directors may hold special meetings upon the request of the Chairman, President, or majority of the Directors.</u></p> <p><u>Special meetings of the Board of Directors shall be presided over by the Chairman or, in his absence, by any other director chosen by the Board. It may be conducted in person or through remote communications such as videoconferencing, teleconferencing, or other alternative modes of communication allowed by the Securities and Exchange Commission.</u></p>
<p>Section 9 Article IV</p> <p>Notices of special meeting shall be mailed or personally serves by the Secretary to each member of the Board not less than ten (10) days before any such meeting, and such notices shall state the objects and purposes thereof. No publication of the notice of any meeting in the public newspapers shall be required.</p>	<p>Section 9 Article IV</p> <p><u>Notice of the regular or special meetings of the Board, specifying the date, time, and place of the meeting, shall be communicated by the Secretary to each director personally, by electronic mail, or any other suitable means of sending notice. A director may waive this requirement, either expressly or impliedly.</u></p> <p>No publication of the notice of any meeting in the public newspapers shall be required.</p>

The foregoing amendments to the Company's bylaws will be presented to the stockholders for their approval.

Item 18. Other Proposed Action

- (a) Ratification of all acts and resolutions of the board of directors and management from the previous stockholders' meeting. The material matters approved by the board of directors in 2021 are outlined in the Summary of SEC 17-C reports, "**Annex G**" hereof.
- (b) Election of regular and independent directors.

The board of directors endorsed to the stockholders for election the following nominees¹ for regular directors:

As regular directors:

- a. Mr. Lucio L. Co
- b. Mrs. Susan P. Co
- c. Mr. Leonardo B. Dayao
- d. Mr. Roberto Juanchito T. Dispo
- e. Mr. Levi B. Labra
- f. Mr. Jaime J. Bautista

As independent directors²:

- a. Mr. Robert Y. Cokeng
- b. Mr. Oscar S. Reyes
- c. Mr. Bienvenido E. Laguesma

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

Upon the recommendation of the Audit Committee, the board recommended the re-appointment of R.G. Manabat & Company as External Auditor of the Company and its subsidiaries for the year 2022 with a professional fee of up to P8 million.

Item 19. Voting Procedures

- (a) The affirmative vote of at least the majority of the shares present or represented in the meeting shall be required to approve all actions submitted to the vote of stockholders.
- (b) The stockholders may cast their votes by sending proxies or voting *in absentia*. Please refer to **Annex "A"** – Voting Form and **Annex "B"**– Guidelines for participating in the 2022 Annual Stockholders Meeting". The stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation as of the record date.

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

¹ Please refer to "Annex H" for Certificate of No Government Official.

² Please refer to Annexes "I", "J" and "K" for the Certificate of Independent Directors.

All stockholders' votes must be submitted by email to corporate.governance@coscocapital.com on or before June 20, 2022.

(c) The Company will count and validate the stockholders' votes on June 21, 2022.

E. MARKET INFORMATION

(A) Shares of stock

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

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

As of May 19, 2022, the Company's share is trading at P4.70 per share.

(B) Stockholders

As of April 25, 2022, the Company has 990 stockholders, 7,187,529,764 outstanding and listed shares, and 217,733,800 treasury shares (3% of the outstanding shares).

The Company's top 20 stockholders as of April 25, 2022:

1	Lucio L. Co	2,380,741,492	33.12%
2	Susan P. Co	1,780,182,230	24.77%
3	Citibank N.A	362,548,600	5.04%
4	Standard Chartered Bank	324,871,259	4.52%
5	Ferdinand Vincent P. Co	225,141,822	3.13%
6	Pamela Justine P. Co	225,120,671	3.13%
7	Ellimac Prime Holdings, Inc.	244,228,990	3.40%
8	VFC Land Resources , Inc.	220,066,929	3.06%
9	The HSBC Ltd. Clients' Accounts	215,627,891	3.00%
10	KMC Realty Corporation	150,832,231	2.10%
11	Deutsche Bank Manila-Clients	146,677,841	2.04%
12	Camille Clarisse P. Co	106,838,231	1.49%
13	Ansaldo, Godinez & Co., Inc.	91,999,936	1.28%
14	Katrina Marie P. Co-Go	58,884,384	0.82%
15	SPC Resources, Inc.	58,500,000	0.81%
16	Col Financial Group, Inc.	57,438,434	0.80%
17	BDO Securities Corporation	45,121,723	0.63%
18	Jose Paulino L. Santamarina	35,105,093	0.49%

19	Sb Equities, Inc.	34,939,235	0.49%
20	HDI Securities, Inc.	33,419,494	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

Cash dividends are upon the board's 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 Sale of Securities

On June 18, 2021, Cosco Capital 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. 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 Da Vinci resulted in the strategic spin-off of the three (3) liquor subsidiaries of Cosco Capital and the injection of these companies into a separate publicly listed Company thru Cosco acquiring a controlling interest in The Keepers Holdings, Inc.

Pursuant to October 15, 2021, a notice of approval to issue shares, The Keepers Holdings, Inc. issued 3,000,000,000 common shares through a follow-on public offering at the Philippine Stock Exchange. As a result of the offer, the public ownership percentage of The Keepers Holdings, Inc. went up to 20.82%, from less than 1%, in compliance with the Minimum Public Ownership Rule.

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

F. CORPORATE GOVERNANCE

(a) The Company has a Revised Manual on Corporate Governance approved in May 2017. The Company aims to continually 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) Except in 2020 and 2021, due to the Covid 19 pandemic restrictions, the Company conducted annual corporate governance training for all its directors and officers.

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

The Company's directors act on a fully informed basis, with due diligence and care required by law and considering all the stakeholders. The board regularly approves Company objectives and plans and monitors their implementation. The board is headed by a competent and qualified chairman with more than 40 years of experience in retail operations. The board meets at least six times a year and schedules the meetings before the start of the financial year.

In 2021, the board held meetings on 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:

Directors	No. of Board Meetings Held / Attended	No. of Committee Meetings Held/Attended	No. of Corporate Governance Committee Meetings Held/Attended	Total
Lucio L. Co	6/6	Not Member	Not Member	100%
Susan P. Co	6/6	4/4	Not Member	100%
Leonardo B. Dayao	6/6	4/4	1/1	100%
Levi B. Labra	6/6	Not Member	Not Member	100%
Roberto Juanchito T. Dispo	6/6	Not Member	1/1	100%
Jaime J. Bautista	6/6	Not Member	Not Member	100%
Robert Y. Cokeng (ID)	6/6	4/4	Not Member	100%
Oscar S. Reyes (ID)	6/6	4/4	1/1	100%
Bienvenido E. Laguesma (ID)	6/6	4/4	1/1	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 June 25, 2021, the stockholders approved the extension of Mr. Robert Cokeng and Mr. Oscar Reyes' term to serve as independent directors until 2023. 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

had 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 a 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 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 (ID) Chairman	Robert Y. Cokeng (ID) Chairman/Lead ID
Susan P. Co	Bienvenido E. Laguesma (ID)	Bienvenido E. Laguesma (ID)
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.

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

In the 2021 annual meeting, the Company presented the items under Section 49 of the Revised Corporation Code as shown in “*Annex L*” (SEC 17-C re Result of Annual Stockholders Meeting) and *Annex “M”* (Minutes of the 2021 Annual Stockholders Meeting of the Company), showing the voting and vote tabulation procedures used in the previous meeting; the opportunity given to stockholders to ask questions and a record of questions asked and answers given; the matters discussed and resolutions reached; record of voting results for each agenda item; list of directors, officers, and stockholders who attended the meeting.

In the 2022 annual meeting, the Company shall endeavor to present all items under Section 49 of the Revised Corporation Code to the stockholders, either during the actual meeting or by providing them in the Information Statements, for their information and guidance.

SIGNATURE PAGE

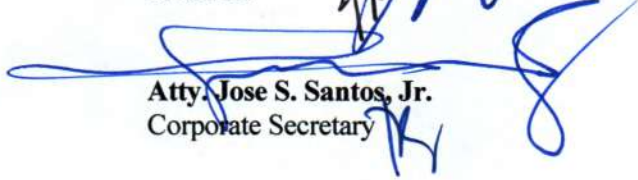
After reasonable inquiry and to the best of our knowledge and belief, we hereby certify that the information set forth in this Definitive Information Statement is true, complete and correct. This report was signed in the City of Manila, Philippines, on May 31, 2022.

COSCO CAPITAL, INC.

By:



Mr. Leonardo B. Dayao
President



Atty. Jose S. Santos, Jr.
Corporate Secretary



ANNEX "A"

COSCO CAPITAL, INC.
Annual Stockholders Meeting
June 24, 2022 www.coscocapital.com

Vote by Ballot – casting votes following the instructions shown in the table below.

Vote by Proxy – appointing the Chairman of the meeting to represent and cast votes following the instructions shown in the table below.

	Agenda Item	FOR	AGAINST	ABSTAIN
1	Approval of Minutes of the Previous Annual Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2021			
2	Approval of 2021 Annual Report and Audited Financial Statements			
	Election of Directors			
3	Mr. Lucio L. Co			
3.1	Mrs. Susan P. Co			
3.2	Mr. Leonardo B. Dayao			
3.3	Mr. Roberto Juanchito T. Dispo			
3.4	Mr. Levi E. Labra			
3.5	Mr. Jaime J. Bautista			
3.6	Mr. Robert Y. Cokeng, <i>Independent Director</i>			
3.7	Mr. Oscar S. Reyes, <i>Independent Director</i>			
3.8	Mr. Bienvenido E. Laguesma, <i>Independent Director</i>			
4	Amendment of Bylaws			
5	Re-appointment of RG Manabat & Company as External Auditor of the Company and subsidiaries with up to P8 million fee			

Name of Stockholder _____

Number of Shares _____

Signature of Stockholder / Authorized Signatory _____

1. For corporate shareholders, this form must be accompanied by a corresponding secretary's certificate confirming the appointment of the Proxy or the designated representative and the votes cast.

2. Where no specific authority is indicated, the vote shall be deemed to approve all the corporate matters listed above and for all the nominated directors named therein.

3. This form should be sent by e-mail to corporate.governance@coscocapital.com on or before June 20, 2022. The Company will validate the votes on June 21, 2022, at 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.



ANNEX "B"

GUIDELINES FOR PARTICIPATING IN THE 2022 ANNUAL STOCKHOLDERS' MEETING OF COSCO CAPITAL, INC. VIA REMOTE COMMUNICATION AND VOTING *IN ABSENTIA*

The 2022 Annual Stockholders' Meeting ("**ASM**") of **COSCO CAPITAL, INC.** (the "Company") will be held on June 24, 2022, at 10 am, via live Zoom meeting.

Considering the health and safety concerns brought about by COVID 19 pandemic, the ASM will be via remote communication and the voting of stockholders via proxy or *in absentia*.

Registration

Stockholders must notify the Corporate Secretary of their intention to participate in the ASM via remote communication and/or vote *in absentia* by no later than June 20, 2022, by sending an email at corporate.governance@coscocapital.com and by submitting the following supporting documents/information:

- Individual Stockholders
 1. Copy of valid government ID of stockholder/proxy
 2. Stock certificate number/s
 3. If appointing a proxy, copy of the proxy form duly signed by the stockholder (need *not* be notarized)
 4. Email address and contact number of stockholder or proxy
- Multiple Stockholders or joint owners
 1. Stock certificate number/s
 2. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
 3. Copy of valid government IDs of all registered stockholders
 4. Email-address and contact number of the authorized representative
- Corporate Stockholders
 1. Secretary's Certification of Board resolution appointing and authorizing a proxy to participate in the ASM
 2. Valid government ID of the authorized representative
 3. Stock certificate number/s
 4. Email-address and contact number of the authorized representative
- Stockholders with Shares under broker account
 1. Certification from the broker as to the number of shares owned by the stockholder
 2. Valid government ID of stockholder
 3. If appointing a proxy, copy of the proxy form duly signed by the stockholder (need *not* be notarized)
 4. Email address and contact number of stockholder or proxy

Online Voting and Meeting

The stockholders who have sent us their intention to participate in the ASM shall be notified via email of their log-in passwords to join the online meeting. There will be video recordings of the ASM, which a stockholder on record may avail upon request.

The stockholders can then cast their votes following these simple steps:

1. Visit our Company website www.coscocapital.com
2. Look for the “Casting Votes in the 2022 Stockholders’ Meeting” button.
3. Fill up the Voting Forms.
4. Submit your vote by clicking the “Submit” button.
5. For our verification, email the required documents under the “registration” portion at corporate.governance@coscocapital.com
6. After our verification, you will receive an email confirmation regarding your votes from the Company.

Open Forum

There will be Open Forum during the meeting, where representatives of the Company may answer as many questions as time will allow. However, a stockholder may send their questions in advance by emailing corporate.governance@coscocapital.com on or before June 20, 2022.

The Company’s Investor Relations Officer will answer questions received but not answered during the ASM by email.

For any queries or concerns, please contact the office of the Corporate Secretary at 09178612459 or via email at corporate.governance@coscocapital.com

ANNEX "C"

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									
requirements	2021		214,066	-	60,340	-	283,205	Due and demandable;	Unsecured
	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	Amount of Transactions	Outstanding Balance
2021	P125,211	P2,208,947
2020	135,608	2,846,183

Lease liabilities

<i>(In thousands)</i>	Amount of Transactions	Outstanding Balance
2021	P432,701	P4,107,411
2020	144,490	4,167,078

Prepayments

<i>(In thousands)</i>	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

<i>(In thousands)</i>	Amount of Transactions	Outstanding Balance
2021	P412,928	P3,637,500
2020	204,643	3,224,572

ANNEX "D"

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

With Independent Auditors' Report



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

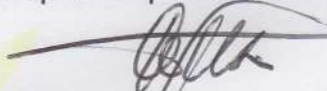
The management of **Cosco Capital, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting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

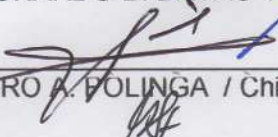
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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 APR 21 2022 day of 2022 affiants exhibiting to me their respective Tax Identification Number, as follows:

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

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Book No. CV111
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. V10017186-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. 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.

Firm Regulatory Registration & Accreditation:

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

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

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

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

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

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



Key Audit Matters

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

Valuation of Goodwill and Other Intangibles with Indefinite Lives
Refer to Note 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	
	<i>Note</i>	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		
	<i>Note</i>	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		
	<i>Note</i>	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						Total	Non-controlling Interests (Notes 1 and 28)	Total Equity
	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)			
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	-	-	-	-	-	11,597,381	11,597,381	3,795,826	15,393,207
Net income for the year	-	-	-	-	-	-	-	(111,479)	(217,707)
Other comprehensive income (loss)	-	-	-	(108,410)	2,182	-	(106,228)	-	-
	-	-	-	(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	-	-	-	-	-	5,900,195	5,900,195	4,108,731	10,008,926
Net income for the year	-	-	-	-	-	-	-	(88,005)	(176,406)
Other comprehensive loss	-	-	-	(87,557)	(844)	-	(88,401)	-	-
	-	-	-	(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	-	-	-	-	-	6,294,194	6,294,194	4,217,296	10,511,490
Net income for the year	-	-	-	-	-	-	-	137,108	269,005
Other comprehensive loss	-	-	-	134,796	(2,899)	-	131,897	-	-
	-	-	-	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

		Years Ended December 31		
	Note	2021	2020	2019
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

Years Ended December 31				
	Note	2021	2020	2019
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.

COSCO CAPITAL, INC. AND SUBSIDIARIES
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.

Estimates

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

Estimating Allowance for Impairment Losses on Receivables (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 are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:
 - the revised consideration is substantially the same or less than the original consideration;
 - the reduction in lease payments relates to payments due on or before June 30, 2021; and
 - no other substantive changes have been made to the terms of the lease.

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

- *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.

Fair Value Measurements

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

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

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

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

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

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

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.

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

Retained earnings include 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.

Other Comprehensive Income

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

Revenue Recognition

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

Cost and Expense Recognition

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

Vendor Rebates and Allowances

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

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

Operating Expenses

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

<i>(In thousands)</i>	<i>Note</i>	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:

<i>(In thousands)</i>	<i>Note</i>	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:

<i>(In thousands)</i>	<i>Note</i>	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:

<i>(In thousands)</i>	<i>Note</i>	2021	2020
At cost:			
Merchandise inventories		P21,871,658	P21,254,936
Liquors, wines and spirits		3,519,298	3,659,336
	<i>20</i>	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:

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

The movements in these securities are as follows:

<i>(In thousands)</i>	<i>Note</i>	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
	<i>31</i>	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:

<i>(In thousands)</i>	<i>Note</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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.

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	Percentage of Ownership		Carrying Amount	
	2021	2020	2021	2020
Associates:				
San Roque Supermarkets Retail Systems, Inc. ("SRS")	49	49	P461,153	P461,153
Pernod 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 Pernod Ricard Philippines, Inc. ("PERNOD") for Euro2.1 million in February 2019.

The changes in the carrying amounts of are as follows:

<i>(In thousands)</i>	SRS		PERNOD	
	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.

<i>(In thousands)</i>	SRS		Pernod	
	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

Investment in Joint Ventures

AyaGold Retailers, Inc.

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

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

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

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

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	<i>Note</i>	Participating Interest	2021	2020
I. Oil Exploration Costs:				
SC 14	<i>a</i>			
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	<i>b</i>	1.67%		
Octon Block			17,596	17,415
North Block			600	627
SC 6B (Bonita)	<i>c</i>	8.18%	8,027	8,027
			26,223	26,069
SC 51	<i>d</i>		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				
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 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.

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 STOIP, 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:

<i>(In thousands)</i>	<i>Note</i>	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:

<i>(In thousands)</i>	<i>Note</i>	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:

<i>(In thousands)</i>	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. Long-term Loans

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					
<i>Liability-related</i>					
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					
<i>Liability-related</i>					
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:

<i>(In thousands)</i>	<i>Note</i>	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:

<i>(In thousands)</i>	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.

<i>(In thousands)</i>	2021	2020	2019
Revenue from Contracts with Customers			
<i>Revenues</i>			
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
<i>Other revenue</i>			
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			
<i>Revenues</i>			
Real estate and property leasing	822,122	1,065,742	1,498,426
<i>Other revenue</i>			
Retail (<i>Other revenue</i>)	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	<i>Note</i>	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:

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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

<i>(In thousands)</i>	Amount of Transactions	Outstanding Balance
2021	P125,211	P2,208,947
2020	135,608	2,846,183

Lease liabilities

<i>(In thousands)</i>	Amount of Transactions	Outstanding Balance
2021	P432,701	P4,107,411
2020	144,490	4,167,078

Prepayments

<i>(In thousands)</i>	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

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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

<i>(In thousands)</i>	Increase	Decrease
Discount rate (1% movement)	(P292,421)	P231,408
Future salary increase rate (1% movement)	281,529	(228,291)

2020

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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% 5%	3,305,942 13,972	P4,061,370 14,782	P5,884,228 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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	
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:

<i>(In thousands)</i>	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.

<i>(In thousands)</i>	2021			2020	
	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:

<i>(In thousands)</i>	Segment Revenues			Segment Profit		
	2021	2020	2019	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:

<i>(In thousands)</i>	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:

<i>(In thousands)</i>	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:

<i>(In thousands except per share data)</i>	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.

<i>(In thousands)</i>	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.

<i>(In thousands)</i>	December 31, 2021			
	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".

<i>(In thousands)</i>	December 31, 2020			
	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 probability 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 probability 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 probability 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.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

<i>(In thousands)</i>	December 31, 2021				
	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.

<i>(In thousands)</i>	December 31, 2020				
	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 its 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:

<i>(In thousands)</i>	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.

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



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

A handwritten signature in black ink, appearing to read 'D.M. Dioso', written over the printed name.

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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Telephone +63 (2) 8885 7000
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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

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

The Board of Directors and Stockholders
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.

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



This schedule is presented for the purpose of complying with the Revised Securities Regulation Code 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.

A handwritten signature in black ink, appearing to be 'D.M. Dioso', written over a faint, illegible stamp or watermark.

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

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May 6, 2022

Makati City, Metro Manila

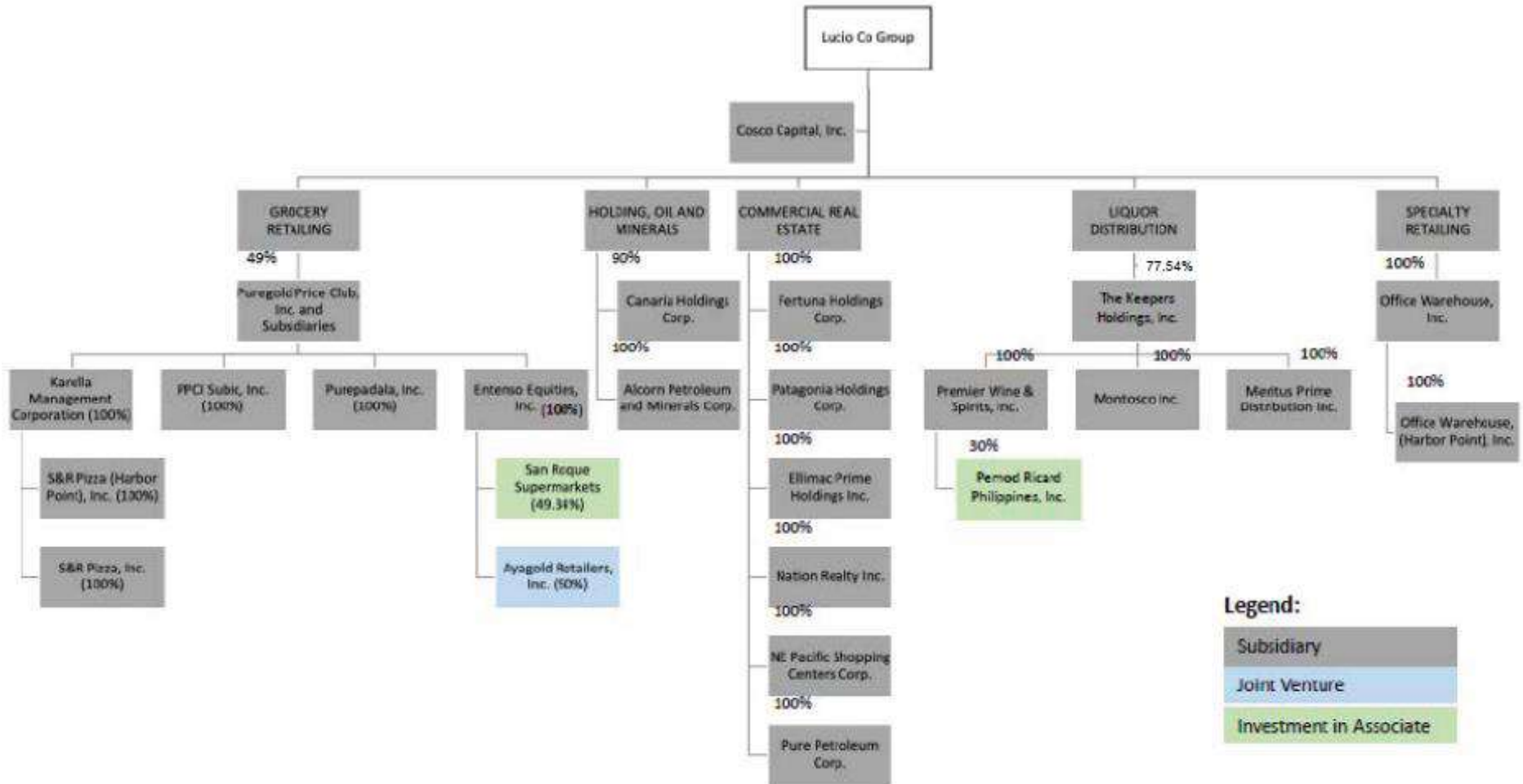
Cosco Capital Inc. and Subsidiaries
As of December 31, 2021

Ratio	Formula	Years ended December 31													
		2021	2020												
Current ratio	<p>Total Current Assets divided by Total Current Liabilities</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Total current assets</td> <td style="text-align: right;">P95,732,896</td> </tr> <tr> <td>Divide by: Total current liabilities</td> <td style="text-align: right;">20,787,780</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">4.61</td> </tr> </table>	Total current assets	P95,732,896	Divide by: Total current liabilities	20,787,780		4.61	4.61	3.60						
Total current assets	P95,732,896														
Divide by: Total current liabilities	20,787,780														
	4.61														
Acid-test ratio	<p>Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Total current assets</td> <td style="text-align: right;">P95,732,896</td> </tr> <tr> <td>Less: Inventories</td> <td style="text-align: right;">25,390,956</td> </tr> <tr> <td style="padding-left: 20px;">Other current assets</td> <td style="text-align: right;">1,648,099</td> </tr> <tr> <td>Quick assets</td> <td style="text-align: right; border-top: 1px solid black;">68,693,841</td> </tr> <tr> <td>Divide by: Total current liabilities</td> <td style="text-align: right;">20,787,780</td> </tr> <tr> <td>Acid-test ratio</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">3.30</td> </tr> </table>	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	3.30	2.51
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														
Solvency ratio	<p>Solvency ratio (Profit plus depreciation and amortization over total liabilities)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Net income</td> <td style="text-align: right;">P10,511,490</td> </tr> <tr> <td>Add: Depreciation and amortization</td> <td style="text-align: right;">4,624,580</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">15,136,070</td> </tr> <tr> <td>Divide by: Total liabilities</td> <td style="text-align: right;">64,583,603</td> </tr> <tr> <td>Solvency ratio</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">0.23</td> </tr> </table>	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	0.23	0.21		
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														
Debt-to-equity ratio	<p>Debt-to-equity ratio (Total liabilities over total equity)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Total liabilities</td> <td style="text-align: right;">P64,498,038</td> </tr> <tr> <td>Divide by: Total equity</td> <td style="text-align: right;">123,093,712</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">0.52</td> </tr> </table>	Total liabilities	P64,498,038	Divide by: Total equity	123,093,712		0.52	0.52	0.62						
Total liabilities	P64,498,038														
Divide by: Total equity	123,093,712														
	0.52														
Asset-to-equity ratio	<p>Asset-to-equity ratio (Total assets over total equity)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Total assets</td> <td style="text-align: right;">P187,591,750</td> </tr> <tr> <td>Divide by: Total equity</td> <td style="text-align: right;">123,093,712</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">1.52</td> </tr> </table>	Total assets	P187,591,750	Divide by: Total equity	123,093,712		1.52	1.52	1.62						
Total assets	P187,591,750														
Divide by: Total equity	123,093,712														
	1.52														

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 <hr/> 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 <hr/> 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 <hr/> 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 <hr/> 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 <hr/> 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



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

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.

<i>(In Thousands)</i>	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 uptick in revenue during 2020 amounted to P5.04 billion.

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. The Real estate segment has extended waiver or reduction of rentals on the following categories: food-nation brands, nonfood-retail/services, food-MSME and kiosks.

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. The Real estate segment has extended waiver or reduction of rentals on the following categories: food-nation brands, nonfood-retail/services, food-MSME and kiosks.

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:

<i>(In Thousands)</i>	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% P476.68 or 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.

Non-current Assets

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. The Grocery Retail segment has opened a total of 32 stores in 2021.

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.

Current Liabilities

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:

	<u>For the years ended December 31</u>	
<i>(In thousands)</i>	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 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.

<i>(In Thousands)</i>	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 grow 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 which amounted to P5.04 billion, 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:

<i>(In Thousands)</i>	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:

	<u>For the years ended December 31</u>	
<i>(In thousands)</i>	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 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.

<i>(In Thousands)</i>	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%

Growth in Revenues

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.

Growth in Net Income

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.

Commercial Real Estate

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 Liguigaz 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:

	<u>For the years ended December 31</u>	
<i>(In thousands)</i>	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.

SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2022**
2. Commission 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 issuer's principal office: **No. 900 Romualdez Street, Paco, Manila** Postal Code: **1007**
8. Issuer's telephone number, including area code: **(632) 8524-9236 to 38**
9. Former name, former address and former fiscal year, if changed since last report: None
10. Securities registered pursuant to Sections 8 and 12 of the Code, 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 Share****7,405,263,564**

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

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The 7,405,263,564 common shares of stock of the company are listed in Philippine Stock Exchange (PSE).

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

1. Please see attached Section A

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Quarterly Report. The interim financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards particularly PAS 34, Interim Financial Statements.

II. KEY PERFORMANCE INDICATORS

The following financial ratios are considered by management as key performance indicators of the Group's financial performance 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 cover interest payments on 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 two interim periods:

Performance Indicators	Q12022	Q12021
ROI	2.17%	2.20%
Profit margin	6.65%	6.16%
EBITDA to interest expense	8.29x	6.69x
Current ratio	6.17:1	4.62:1
Asset turnover	0.22:1	0.23:1
Asset to equity	1.47:1	1.55:1
Debt to equity ratio	0.47:1	0.55:1

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

III. RESULTS OF OPERATION

The table below shows the consolidated results of operations of the Group for the periods ended March 31, 2022 and 2021.

<i>(In Thousands)</i>	Q12022	%	Q12021	%	INCREASE (DECREASE)	%
REVENUES	40,680,227	100.00%	39,573,281	100.00%	1,106,945	2.80%
COST OF SALES/SERVICES	32,183,181	79.11%	31,692,555	80.09%	490,627	1.55%
GROSS PROFIT	8,497,045	20.89%	7,880,727	19.91%	616,319	7.82%
OTHER OPERATING INCOME	708,412	1.74%	814,896	2.06%	(106,484)	-13.07%
GROSS OPERATING INCOME	9,205,458	22.63%	8,695,623	21.97%	509,835	5.86%
OPERATING EXPENSES	5,142,268	12.64%	4,946,152	12.50%	196,116	3.97%
INCOME FROM OPERATIONS	4,063,190	9.99%	3,749,471	9.47%	313,719	8.37%
OTHER INCOME (CHARGES) - net	(534,488)	-1.31%	(551,479)	-1.39%	16,991	-3.08%
INCOME BEFORE INCOME TAX	3,528,702	8.67%	3,197,992	8.08%	330,710	10.34%
INCOME TAX EXPENSE	822,688	2.02%	757,249	1.91%	65,439	8.64%
NET INCOME FOR THE PERIOD	2,706,013	6.65%	2,440,742	6.17%	265,271	10.87%
PATMI	1,537,641	3.78%	1,407,703	3.56%	29,938	9.23%
Non-controlling interests	1,168,373	2.87%	1,033,040	2.61%	135,333	13.10%
	2,706,013	6.65%	2,440,742	6.17%	265,271	10.87%

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the “Group”) posted a consolidated revenue of P40.68 Billion for the quarter ended March 31, 2022 which reflects an increase by P1.1 Billion or representing a growth by 2.80% compared to last year’s first quarter revenue of P39.6 Billion.

The revenues of the Group’s business segments during the first quarter of 2022 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 particularly with the heightened community restrictions and lockdowns imposed from January 15, 2022 to February 15, 2022 due to the extraordinary surge in infection rate caused by the Omicron variant of the Covid-19 virus.

Similarly in 2021, 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 particularly the Delta variant, 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.

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 vigorous roll-out of the nationwide vaccination program including the highly recommended booster shots jointly undertaken by the government and private sector which started during the first quarter 2021 provided 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 revenue growth experienced, the Group, however, managed to realize a consolidated net income of P2.71 Billion which represents a growth of 10.87% as compared to last year's net income of P2.44 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 sustained 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 2022 amounted to about P1.54 Billion which increased by P131.1 million or 9.23% as compared to the 2021 PATMI amounting to P1.41 Billion.

Grocery Retail Segment

During the first quarter of 2022, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P38.51 Billion or an increase of P0.78 Billion or about 2.06% growth as compared to the segment's revenue contribution of P37.73 Billion for the same period of last year.

The supermarket business continued to experience and deal with the challenges of a negative SSSG during the first quarter of 2022 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. It is quite interesting to note, however, that for the first time after two years, same store traffic count registered a positive growth of 2.8% which drove the sales performance recovery. The negative SSSG experienced during the period was mainly driven by a slight dip in basket size which registered a decline by 7.1%. 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 6.47% growth in consolidated net income contribution in 2022 amounting to P2.15 Billion which increased by P130.79 Million as compared to the net income contribution of P2.02 Billion in the same period in 2021.

Real Estate Segment

The commercial real estate business segment, which contributed P257.16 Million to the Group's consolidated revenue in the first quarter of 2022, or a 4.5% growth as compared from the segment's revenue contribution during the same period last year amounting to P246.09 Million.

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 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.

Consolidated net income contribution in 2022 amounted to about P226.77 Million which increased by about P26.72 Million or 13.35% as compared to net income in 2021 amounting to P200.06 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 P1.52 Billion to the Group's consolidated revenue in the first quarter of 2022 representing an increase by P351.84 Million or 29.95% higher as compared to the 2021 revenue contribution of P1.17 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 amidst with the imposition of more stringent and heightened restrictions due to the resurgence of the Covid-19 infections particularly the highly infectious and contagious Omicron variant during the first two months of 2022.. 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 2022 amounted to about P332.54 Million which increased by P104.59 Million or 45.88% as compared to the net income contribution in 2021 amounting to P227.95 Million.

Specialty Retail Segment

Office Warehouse, Inc. contributed about P388.96 Million to the Group's consolidated revenue during the first quarter of 2022 representing a decrease by about P34.48 Million or 8.14% lower as compared to the 2021 revenue contribution of P423.44 Million.

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 imposed heightened restrictions due to the resurgence of the infection rates particularly driven by the Omicron variant.

Net income contribution in 2022 amounted to about P16.41 Million which decreased by P1.13 Million or 6.46% as compared to the net income contribution in 2021 amounting to P17.55 Million due to decline in revenue.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the period ended March 31, 2022, the Grocery Retail segment posted a consolidated net sales of P38,507 million for an increase of P778 million or 2.1% compared to P37,729 million in the same period of 2021. Net sales slightly grew due to sales contribution from full operation of 2021 new stores and revenue from 2022 newly opened stores of both Puregold and S&R.

Like for like sales performance indicators for the period ended March 31 are as follow:

	PGOLD		S&R	
	2022	2021	2022	2021
Net Sales	-4.5%	-15.2%	-1.3%	8.8%
Net Ticket	-7.1%	35.5%	8.0%	3.6%
Traffic	2.8%	-37.4%	-8.7%	5.1%

Gross Profit

For the period ended March 31, 2022, the Grocery Retail segment realized an increase of 6.8% in consolidated gross profit from P7,210 million in 2021 at 19.1% margin to P7,698 million at 20.0% margin in the same period of 2022, driven by strong and 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 P103 million or 12.8% from P810 million in the three months of 2021 to P707 million in the same period of 2022. This is attributable to decline in concession income due to lower concession sales during the period.

Gross Operating Income

Gross operating income for the first quarter of 2022 amounted to P8,405 million at a gross operating margin of 21.8% and an increase of P385 million or 4.8% from P8,020 million at 21.3% margin in the same period of 2021.

Operating Expenses

Operating expenses increased by P240 million or 5.1% from P4,714 million in the three-month period ended March 31, 2022 to P4,954 million in the same period of 2022. Increase in the account is primarily due to full operation of 2021 new stores and expenses from the 2022 newly opened stores, specifically utilities, supplies, transportation and advertising expenses.

Other Expense - net

Other expenses net of other income amounted to P608 million and P639 million for the three-month periods ended March 31, 2022 and 2021, respectively. This is primarily due to increase on accretion of interest on leased assets in compliance with *PFRS 16 – Leases*.

Net Income

For the period ended March 31, 2022, the Grocery Retail segment earned a consolidated net income of P2,151 million at 5.6% net margin and an increase of 6.5% from P2,020 million at 5.4% net margin in the same period of 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, strategic cost management and sustained strong consumer demand.

Commercial Real Estate

The Group's Real Estate Segment posted a revenue of P449.19 Million in the first quarter of 2022 or an improvement by 5.05% from the P427.58 Million revenue generated in the same period in 2021.

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 for the first quarter 2022 amounted to P335.97 Million which grew by 9.64% as compared to the same period in 2021.

Net income for the period amounted to P226.77 Million or a 13.35% increase from last year's P200.06 Million propelled by strategic cost savings measures 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 the first quarter of 2022 increased to P2.17 Billion or 22.93% higher from last year's first quarter performance of P1.76 Billion on the back of a 17.5% 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 despite the imposition of new heightened restrictions triggered by the resurgence in infection rates due to the Omicron variant almost similar to the 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 driven by the Delta variant.

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 wines and specialty beverages categories.

Income from operations, increased to P422.64 Million in 2022 or 41.32% growth from last year's P299.07 Million 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 first quarter of 2022 grew by 45.88% from P227.95 Million in 2021 to P332.54 Million in 2022. 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 P390.19 Million in the first quarter of 2022 or 8.0% lower as compared to the 2021 revenue of P424.02 Million.

The operations of the company's 85 operating 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.

Net income in 2022 amounted to about P16.41 Million which decreased by P1.13 Million or 6.46% as compared to the net income contribution in 2021 amounting to P17.55 Million due to decline in revenue.

IV. FINANCIAL CONDITION

Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group as at March 31, 2022 and December 31, 2021:

(In Thousands)	Q12022	%	FY2021	%	INCREASE (DECREASE)	%
Current Assets						
Cash and cash equivalents	53,747,467	29.21%	63,860,207	34.04%	(10,112,740)	-15.84%
Receivables - net	4,910,203	2.67%	4,735,784	2.52%	174,419	3.68%
Financial asset at FVOCI	6,784	0.00%	6,784	0.00%	-	-
Financial asset at FVPL	3,035,094	1.65%	30,726	0.02%	3,004,369	-
Inventories	27,854,204	15.14%	25,390,956	13.54%	2,463,249	9.70%
Due from related parties	60,341	0.03%	60,341	0.03%	-	-
Prepayments and other current assets	2,411,546	1.31%	1,648,099	0.88%	763,447	46.32%
TOTAL CURRENT ASSETS	92,025,640	50.01%	95,732,896	51.03%	(3,707,257)	-3.87%
Noncurrent Assets						
Property and equipment - net	31,974,171	17.38%	31,818,124	16.96%	156,046	0.49%
Right-of-use assets	24,165,546	13.13%	24,406,913	13.01%	(241,366)	-0.99%
Investment properties - net	9,454,610	5.14%	9,487,968	5.06%	(33,358)	-0.35%
Intangibles and goodwill - net	21,075,552	11.45%	21,057,378	11.23%	18,174	0.09%
Investments	700,550	0.38%	715,393	0.38%	(14,844)	-2.07%
Deferred oil and mineral exploration costs	9,639	0.01%	6,154	0.00%	3,484	56.62%
Deferred tax assets-net	1,103,737	0.60%	882,764	0.47%	220,973	25.03%
Other non-current assets	3,507,116	1.91%	3,484,160	1.86%	22,956	0.66%
TOTAL NONCURRENT ASSETS	91,990,920	49.99%	91,858,854	48.97%	132,066	0.14%
TOTAL ASSETS	184,016,559	100.00%	187,591,750	100.00%	(3,575,191)	-1.91%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	10,439,784	5.67%	16,872,386	8.99%	(6,432,602)	-38.13%
Income tax payable	1,844,573	1.00%	1,054,585	0.56%	789,988	74.91%
Short-term loans payable	18,000	0.01%	48,000	0.03%	(30,000)	-62.50%
Current portion of long-term borrowing	120,000	0.07%	120,000	0.06%	-	-
Lease liability	1,164,990	0.63%	1,223,723	0.65%	(58,733)	-4.80%
Due to related parties	658,459	0.36%	692,219	0.37%	(33,760)	-4.88%
Other current liabilities	535,483	0.29%	776,867	0.41%	(241,384)	-31.07%
TOTAL CURRENT LIABILITIES	14,781,289	8.03%	20,787,780	11.08%	(6,006,492)	-28.89%
Noncurrent Liabilities						
Retirement benefit liability	1,342,498	0.73%	1,346,544	0.72%	(4,047)	-0.30%
Lease liability-net of current portion	29,980,941	16.29%	30,271,128	16.14%	(290,187)	-0.96%
Long term loans payable - net of debt issue cost	11,654,292	6.33%	11,650,458	6.21%	3,834	0.03%
Other non-current liabilities	524,218	0.28%	442,128	0.24%	82,090	18.57%
TOTAL NONCURRENT LIABILITIES	43,501,947	23.64%	43,710,258	23.30%	(208,310)	-0.48%
TOTAL LIABILITIES	58,283,236	31.67%	64,498,038	34.38%	(6,214,802)	-9.64%
EQUITY						
Capital stock	7,405,264	4.02%	7,405,264	3.95%	-	-
Additional paid-in capital	9,634,644	5.24%	9,634,644	5.14%	-	-
Remeasurement of retirement liability - net of tax	52,651	0.03%	52,651	0.03%	-	-
Reserve for fluctuations in value of financial assets at FVOC	3,178	0.00%	3,178	0.00%	-	-
Share in associate OCI	(457)	0.00%	(1,318)	0.00%	861	-65.36%
Treasury shares	(1,802,060)	-0.98%	(1,734,603)	-0.92%	(67,458)	3.89%
Retained earnings	67,480,979	36.67%	65,943,338	35.15%	1,537,641	2.33%
Total Equity Attributable to Equity Holders of Parent Company	82,774,198	44.98%	81,303,154	43.34%	1,471,044	1.81%
Non-controlling interest	42,959,125	23.35%	41,790,559	22.28%	1,168,566	2.80%
TOTAL EQUITY	125,733,323	68.33%	123,093,713	65.62%	2,639,611	2.14%
TOTAL LIABILITIES AND EQUITY	184,016,559	100.00%	187,591,750	100.00%	(3,575,191)	-1.91%

Current Assets

Cash and cash equivalents amounted to P53.75 Billion as at March 31, 2022 with a decrease of P10.11 Billion or 15.84% from December 31, 2021 balance. The decrease 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, Liquor Distribution, Specialty Retail and Real Estate Segments and Parent Company, payment of 2021 cash dividends, settlement of corporate notes and payments for capital expenditures during the period. 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 through a share-swap transaction duly approved by the Philippine SEC sometime in May 2021.

Receivables increased by 3.68% from December 31, 2021 balance of P4.73 Billion to this year's balance of P4.91 Billion due mainly to the net effect of collections made and the increase on trade receivables of Grocery Retail segment in line with increase in sales as well as increase on non-trade receivables pertaining to suppliers' various promotional funds during the period.

Financial assets at fair value through profit or loss (FVPL) increased by P3.0 Billion from December 31, 2021 balance of P30.73 Million to this period's balance of P3.03 Billion due mainly to additional investments in government securities during the period by Grocery Retail segment.

Inventories increased by 9.70% from 2021 balance of P25.39 Billion to this period's balance of P27.85 Billion due to additional stocking requirement of existing and new operating stores of the Grocery Retail segment. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P23.73 Billion.

Prepaid expenses and other current assets increased by P915.95 Million at the end of March 2022, mainly due to additional of prepayments made for advertising, taxes and licenses, availment of new policies for insurance of new stores by Grocery Retail and Liquor Distributions segments.

Non-current Assets

As at March 31, 2022 and December 31, 2021, total non-current assets amounted to P91.99 Billion or 49.99% of total assets, and P91.85 Billion or 48.97% of total assets, respectively, for an increase of P132.07 Million or 0.14%.

Property and equipment-net pertains to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment increased by P156.05 Million from P31.82 Billion in December 2021 to P31.97 Billion in March 2022 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 decreased by P241.37 Million from P24.40 Billion in December 2021 to P24.16 Billion in March 2022 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 period.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties decreased by P33.36 Million from P9.49 Billion in December 2021 to P9.45 Billion in March 2022 due to depreciation recognized.

Investments decreased by P14.84 Million from P715.39 Million in December 2021 to P700.55 Million in March 2022.

Intangibles and goodwill-net increased by P18.17 Million from P21.06 Billion in December 2021 to P21.07 Billion in March 2022 primarily due to the net effect of amortizations and additional acquisition of computer software cost.

Deferred tax assets increased by P220.97 Million or 25.03% from P882.76 Million in December 2021 to P1.10 Billion in March 2022 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 P22.96 Million from P3.48 Billion in December 2021 to P3.51 Billion in March 2022. About 65% 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 March 31, 2022 and December 31, 2021, total current liabilities amounted to P14.78 Billion and P20.79 Billion respectively, for a decrease of P6.0 Billion or 28.89%.

About 79% 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 decrease by P6.43 Billion or 38.13% was primarily due to the settlements of trade and non-trade liabilities and dividends declared by the Grocery Retail segment and Parent Company in December 2021.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P789.99 Million from P1.05 Billion as at December 2021 to P1.84 Billion as at March 31, 2022 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the first quarter in 2022 in relation to the same period in 2021.

Short-term loans payable account decreased by P30.0 Million mainly due to settlements made by the Real Estate segment.

Current portion of long-term borrowing amounted to 120 Million as at March 31, 2022 representing the current portion of corporate notes payable by the Grocery Retail segment.

Lease liabilities due within one year account decreased by P58.73 Million from P1.22 Billion in December 2021 to P1.16 Billion in March 2022 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 P33.76 Million mainly due to the settlements made.

Other current liabilities decreased by 31.07% from P776.87 Million as at December 31, 2021 to P535.48 Million as at March 31, 2022 relatively due to application of deposits from tenants and settlement of output VAT during the period by the Real Estate and Grocery Retail segments.

Noncurrent Liabilities

As at March 31, 2022 and December 31, 2021, total non-current liabilities amounted to P43.50 Billion and P43.71 Billion, respectively, for a decrease of P208.31 Million or 0.48%.

Long-term loans payable-net of current portion amounted to P11.65 Billion as at March 31, 2022.

Lease liabilities 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. . The account decreased by P290.19Million from P30.27 Billion in December 2021 to P29.98 Billion in March 2022 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the period.

Other non-current liabilities increased by P82.09 Million or 18.57% from P442.13 Million in December 2021 to P524.22 Million as at March 31, 2022 due to recognition of customer deposits and advance rentals by the Real Estate segment.

Equity

As at March 31, 2022 and December 31, 2021, total equity amounted to P125.73 Billion and P123.09 Billion, respectively, for an increase of P2.64 Billion or 2.14%.

Treasury shares increased by P67.46 million from P1.73 Billion in December 2021 to P1.80 Billion as at March 31, 2022 due to additional buyback by the Parent Company during the quarter to its existing share buyback program.

Retained earnings increased by P1.54 Billion or 2.33% from P65.94 Billion in December 2021 to P67.48 Billion as at March 2022 due to profit realized by the Group.

Non-controlling interest increased by P1.17 Billion or 2.80% from P41.79 Billion in December 2021 to P42.96 Billion as at March 31, 2022 mainly due to share in the consolidated profit.

V. SOURCES AND USES OF CASH

A brief comparative summary of cash flow movements during the three-month period is shown below:

<i>(In Thousands)</i>	<u>For the Three-month period ended</u>			
	<u>March 31</u>			
		2022		2021
Net cash used in operating activities	P	(3,362,979)	P	(8,568,534)
Net cash used investing activities		(4,047,033)		(6,760,732)
Net cash used in financing activities		(2,702,727)		(2,543,785)
Net decrease in cash and cash equivalents	P	(10,112,739)	P	(17,873,248)

Net cash used for operating activities during the current period are basically attributable to the net effect of the net settlement of trade and non-trade payable accounts by the Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments.

On the other hand, net used for investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional capital expenditures by the Real Estate segment.

Net cash used in financing activities principally resulted from the effect of settlements of bank loans by the Liquor Distribution segment during the period, payment of 2021 cash dividends declared by the Grocery Retail segment and Parent Company, payment of interest from loans by Grocery Retail segment and Parent Company and settlement of lease liability pertaining to principal.

Management believes that the current levels of internally generated funds 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. This can be augmented through availments from existing untapped banking and credit facilities as and when required.

VI. MATERIAL EVENTS AND UNCERTAINTIES

- (i) 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;
- (ii) 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;
- (iii) There are no contingent liabilities or assets since the last statement of financial position period;
- (iv) Sources of liquidity – Fundings for the current year will be sourced principally from internally generated cash flows to be augmented by short-term borrowings as may be required.
- (v) 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;
- (vi) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;
- (vii) 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;
- (viii) There are no significant elements of income not arising from continuing operations;
- (ix) 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.


SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this Amended First Quarter Financial Statement of Cosco Capital, Inc. and its subsidiaries for the year 2022 to be signed on its behalf by the undersigned thereunto duly authorized.

May 16, 2022 in the City of Manila

COSCO CAPITAL, INC.

By:



LEONARDO B. DAYAO
President



TEODORO A. POLINGA
Comptroller

SECTION A

COSCO CAPITAL, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and December 31, 2021

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

		March and December 31	
	<i>Note</i>	2022 (Unaudited)	2021 (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	P53,747,467	P63,860,207
Receivables - net	5	4,910,203	4,735,784
Inventories	6, 20	27,854,204	25,390,956
Financial assets at fair value through profit or loss	7	3,035,094	30,726
Financial assets at fair value through other comprehensive income	8	6,784	6,784
Due from related parties	25	60,341	60,341
Prepaid expenses and other current assets	9	2,411,546	1,648,099
Total Current Assets		92,025,640	95,732,896
Noncurrent Assets			
Investments in associates and joint ventures	10	700,550	715,393
Right of use of assets - net	21	24,165,546	24,406,913
Property and equipment - net	11	31,974,171	31,818,124
Investment properties - net	12	9,454,610	9,487,968
Goodwill and other intangibles - net	13	21,075,552	21,057,378
Deferred tax assets - net	27	1,103,544	882,764
Deferred oil and mineral exploration costs - net	14	9,639	6,154
Other noncurrent assets	15	3,507,116	3,484,160
Total Noncurrent Assets		91,990,920	91,858,854
		P184,016,559	P187,591,750
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	16	P10,439,784	P16,872,386
Income tax payable		1,844,573	1,054,585
Lease liabilities due within one year	21, 25	1,164,990	1,223,723
Short-term loans	17	18,000	48,000
Current maturities of long-term loans due within one year	17	120,000	120,000
Due to related parties	25	658,459	692,219
Other current liabilities	18	535,483	776,867
Total Current Liabilities		14,781,289	20,787,780

Forward

March 31 and December 31			
	Note	2022 (Unaudited)	2021 (Unaudited)
Noncurrent Liabilities			
Long-term loans	17	P11,654,292	P11,650,458
Lease liabilities	21, 25	29,980,941	30,271,128
Retirement benefits liability	26	1,342,498	1,346,544
Other noncurrent liabilities	21	524,218	442,128
Total Noncurrent Liabilities		43,501,947	43,710,258
Total Liabilities		58,283,236	64,498,038
Equity			
Capital stock	28	7,405,264	7,405,264
Additional paid-in capital	28	9,634,644	9,634,644
Treasury stock	28	(1,802,060)	(1,734,603)
Retirement benefits reserve	26	52,651	52,651
Other reserve	8	2,721	1,860
Retained earnings		67,480,979	65,943,338
Total Equity Attributable to Equity Holders of the Parent Company		82,774,198	81,303,154
Noncontrolling Interests	28	42,959,125	41,790,559
Total Equity		125,733,323	123,093,713
		P184,016,559	P187,591,750

See Notes to the Consolidated Financial Statements.

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

		Periods Ended March 31	
	Note	2022 (Unaudited)	2021 (Unaudited)
REVENUES	19, 29		
Net sales		P40,423,070	P39,327,192
Rent		257,157	246,089
		40,680,227	39,573,281
COST OF REVENUES	20		
Cost of goods sold		32,036,186	31,551,367
Cost of rent		146,995	141,188
		32,183,181	31,692,555
GROSS INCOME		8,497,046	7,880,727
OTHER REVENUE	19, 22	708,412	814,896
TOTAL GROSS INCOME AND OTHER REVENUE		9,205,458	8,695,623
OPERATING EXPENSES	23	5,142,268	4,946,152
INCOME FROM OPERATIONS		4,063,190	3,749,471
OTHER INCOME (CHARGES)			
Interest expense	17, 21	(627,206)	(704,458)
Interest income	4, 25	92,561	160,281
Others - net	24	158	(7,302)
		(534,488)	(551,479)
INCOME BEFORE INCOME TAX		3,528,702	3,197,992
PROVISION FOR INCOME TAXES	27	822,688	757,249
NET INCOME		P2,706,014	P2,440,742
Net income attributable to:			
Equity holders of the Parent Company		P1,537,641	P1,407,703
Noncontrolling interests	28	1,168,373	1,033,040
		P2,706,013	P2,440,742
Basic/diluted earnings per share attributable to equity holders of the Parent Company	30	P0.2214	P0.20247

See Notes to the Consolidated Financial Statements.

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

		Periods Ended March 31	
		2022	2021
		(Unaudited)	(Unaudited)
	Note		
NET INCOME		P2,706,014	P2,440,742
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will never be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefits		861	-
Unrealized gain (loss) on financial assets	8	-	-
Income tax effect		-	-
		861	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		P2,706,875	P2,440,742
Total comprehensive income attributable to:			
Equity holders of the Parent Company		P1,613,192	P1,407,702
Non-controlling interests	28	1,093,683	1,033,040
		P2,706,875	P2,440,742

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						Total	Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retirement Benefits Reserve	Other Reserve	Retained Earnings			
Balance at December 31, 2020	7,405,264	9,634,644	(1,652,861)	(82,145)	4,759	58,915,686	74,225,347	35,554,275	109,779,622
Total comprehensive income for the period									
Net income for the period	-	-	-	-	-	1,407,703	1,407,703	1,033,040	2,440,743
	-	-	-	-	-	1,407,703	1,407,703	1,033,040	2,440,743
Acquisition of treasury shares	-	-	(10,752)	-	-	-	(10,752)	-	(10,752)
Balance at March 31, 2021	P7,405,264	P9,634,644	(P1,663,613)	(P82,145)	P4,759	P60,323,389	P75,622,298	P36,587,315	P112,209,613
Balance at December 31, 2021	P7,405,264	P9,634,644	(P1,652,861)	P52,651	P1,860	P65,943,338	P74,225,347	P35,554,275	P123,093,713
Total comprehensive income for the period									
Net income for the period	-	-	-	-	-	1,537,641	1,537,641	1,168,373	2,706,014
Other comprehensive income	-	-	-	-	861	-	861	-	861
	-	-	-	-	-	1,537,641	1,538,502	1,168,373	2,706,875
Acquisition of treasury shares	-	-	(67,458)	-	-	-	(67,458)	-	(67,458)
Balance at March 31, 2022	P7,405,264	P9,634,644	(P1,802,061)	P52,651	P2,721	P67,480,979	P82,774,198	P42,958,932	P125,733,130

See Notes to the Consolidated Financial Statements.

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

		Periods Ended March 31	
		2022	2021
Note		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P3,528,702	P3,197,992
Adjustments for:			
Depreciation and amortization		1,117,837	1,120,849
Interest expense		627,206	733,440
Interest income		(92,561)	(160,281)
Loss from pre-terminated lease contracts		-	2,324
Retirement benefit cost		554	-
Unrealized foreign exchange loss (gain)		(3,986)	197
Share in losses of joint ventures and associate		14,387	5,189
Unrealized loss (gain) on financial assets at FVPL		(3,486)	2,117
Loss from sale of marketable securities		-	-
Gain on disposal of property and equipment		(150)	(26)
Dividend income		(983)	(652)
Gain on insurance claims		(2,344)	-
Operating income before changes in working capital		5,185,176	4,901,149
Decrease (increase) in:			
Receivables		(174,419)	(4,128,488)
Inventories		(2,463,249)	(2,039,340)
Prepaid expenses and other current assets		(1,163,415)	(1,541,513)
Due from related parties		-	(154,633)
Increase (decrease) in:			
Accounts payable and accrued expenses		(4,647,120)d	(5,766,827)
Due to related parties		(33,760)	(35,985)
Other current liabilities		(240,522)	(9,915)
Other noncurrent liabilities		82,090	47,208
Cash generated from operations		(3,455,219)	(8,728,344)
Interest received		92,561	160,281
Retirement benefits paid		(4,308)	(471)
Net cash from provided by operating activities		(3,366,966)	(8,568,534)

Forward

		Periods Ended March 31	
		2022	2021
		(Unaudited)	(Unaudited)
	Note		
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	11	(P756,652)	(P1,158,174)
Investment properties	12	-	(53,695)
Intangibles	13	(30,273)	(8,214)
Right-of-use assets		(240,026)	(60,665)
Financial assets at FVPL		(3,000,883)	-
Proceeds from:			
Disposal of property and equipment		3,914	8,774
Insurance claims	24	2,344	-
Increase in other noncurrent assets		(22,956)	(2,331,571)
Increase in oil and minerals		(3,484)	-
Dividends received	25	983	652
Loans receivable collected during the year	25	-	(1,541,701)
Net cash used in investing activities		(4,047,033)	(6,760,732)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest expense		(125,457)	(196,760)
Repayments of lease:			
Principal amount		(846,836)	(563,877)
Cash dividends paid		(1,632,976)	(1,730,396)
Payments of:			
Short-term loans	17	(30,000)	(42,000)
Buyback of capital stocks	28	(67,458)	(10,752)
Net cash used in financing activities		(2,702,727)	(2,543,785)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		3,986	(197)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(10,112,740)	(17,873,248)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		63,860,207	48,867,746
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P53,747,467	P30,994,498
	4		

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
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. As at December 31, 2020 and 2019, the Parent Company's public float stood at 22.99% and 23.74%.

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.

The Parent Company'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			
	2022		2021	
	Direct	Indirect	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) and Subsidiaries	49.16 ^(a)	-	49.16 ^(a)	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	-	49.16 ^(a)	-	49.16 ^(a)
▪ S&R Pizza (Harbor Point), Inc.	-	49.16 ^(a)	-	49.16 ^(a)
▪ S&R Pizza, Inc.	-	49.16 ^(a)	-	49.16 ^(a)
▪ PPCI Subic, Inc. (PSI)	-	49.16 ^(a)	-	49.16 ^(a)
▪ Entenso Equities Incorporated (EEI)	-	49.16 ^(a)	-	49.16 ^(a)
▪ Purepadala, Inc.	-	49.16 ^(a)	-	49.16 ^(a)
Liquor Distribution				
The Keepers Holdings, Inc. (c)	77.54	-	77.54	-
Montosco, Inc.	-	77.54	-	77.54
Meritus Prime Distributions, Inc.	-	77.54	-	77.54
Premier Wine and Spirits, Inc.	-	77.54	-	77.54
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) On January 16, 2019, PPCI made a Php4,693,500,000 top-up placement of 104.3 million common shares at a price of Php45.00 per share. The additional shares were issued on March 5, 2019 for total proceeds of P4.6 billion, which resulted in a dilution of the Parent Company's ownership interest of in PPCI from 51.02% to 49.16%. The Parent Company retains the control over PPCI (see Note 2).

^(b) On October 19, 2018, the Board of Directors authorized the sale of LPC and CPHI, resulting in their classification as a disposal group held-for-sale as at December 31, 2018 and disposal on January 17, 2019 (see Note 33).

c) On June 30, 2021, the Securities and Exchange Commission (SEC) approved the increase in the authorized capital stock of the Company including the Share Swap Transaction with the Parent Company. Accordingly, the Company issued 11,250,000,000 common shares representing about 98% equity ownership in exchange for the Parent Company's 100% equity interests in Montosco, Inc., Meritus Prime Distributions, Inc. and Premier Wines and Spirits, Inc. pursuant to the Share Swap Transaction.

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on May 6, 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 P257.16 million and P246.09 million in 2022 and 2021, respectively.

Estimates

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

Estimating Allowance for Impairment Losses on Receivables (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 March 31, 2022 and December 31, 2021, the carrying amount of receivables amounted to P4.91 billion and P4.73 billion, respectively, while the allowance for impairment losses amounted to P99.03 million and 89.27 million, respectively.

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

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

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

The carrying amount of merchandise inventories amounted to P27.85 billion and P25.39 billion as at March 31, 2022 and December 31, 2021.

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 March 31, 2022 and December 31, 2021.

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 March 31, 2022 and December 31, 2021. 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 March 31, 2022 and December 31, 2021, the following are the carrying amounts of nonfinancial assets:

	Note	2022	2021
Property and equipment - net	11	31,974,171	31,818,124
Right-of-use assets - net	21	24,165,546	24,406,913
Investment properties - net	12	9,454,610	9,487,968
Investments in joint venture and associate	10	700,550	715,393
Computer software and licenses, and leasehold rights	13	222,911	204,737

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 March 31, 2022 and December 31, 2021, the Group recognized net deferred tax assets amounting to P 1,103.54 million and P882.76 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 P1.34 billion as at March 31, 2022 and December 31, 2021.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards and Frameworks

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

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

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

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

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

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

Standards Issued but Not Yet Adopted

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

Effective June 1, 2020

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

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

Effective January 1, 2022

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2023

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

Consolidation

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

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 June 30, 2021 and December 31, 2020.

Financial Assets at FVTPL

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

A financial asset measured at FVTPL is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in 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 March 31, 2022 and December 31, 2021, 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 9).

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.

Fair Value Measurements

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

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

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

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

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

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

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.

Investments in Joint Arrangements and Associates

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

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

Property and Equipment

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

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

Depreciation 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.

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

Retained earnings include 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.

Other Comprehensive Income

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

Revenue Recognition

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

Cost and Expense Recognition

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

Vendor Rebates and Allowances

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

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

Operating Expenses

Operating expenses constitute costs of administering the business. These are recognized as 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 as part of other income.

Borrowing Costs

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

Income Taxes

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

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

Current Tax

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

Deferred Tax

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable 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 net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" in the consolidated statements of financial position.

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

4. Cash and Cash Equivalents

This account consists of:

<i>(In thousands)</i>	<i>Note</i>	2022	2021
Cash on hand		P458,514	P574,227
Cash in banks	31	19,735,123	23,962,535
Money market placements	31	33,553,831	39,323,445
		P53,747,467	P63,860,207

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 1.0% to 1.60% in 2022 and 1.0% to 1.60% in 2021.

Interest income earned from cash in banks and money market placements amounted to P92.56 million and P160.28 million in 2022 and 2021, respectively.

5. Receivables

This account consists of:

<i>(In thousands)</i>	Note	2022	2021
Trade receivables		P2,545,342	3,163,118
Non-trade receivables		1,653,585	879,481
Interest receivable	25	622,200	621,488
Others		188,108	160,966
		5,009,235	4,825,053
Less allowance for impairment losses on trade receivables		99,032	89,269
	31, 32	P4,910,203	P4,735,784

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

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

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

<i>(In thousands)</i>	2022	2021
Beginning balance	P89,269	P113,636
Provisions during the year	-	39,736
Adjustment	9,763	-
Reversal	-	(64,103)
Ending balance	P99,032	P89,269

6. Inventories

This account consists of:

<i>(In thousands)</i>	Note	2022	2021
At cost:			
Merchandise inventories		P24,049,990	P21,871,657
Liquors, wines and spirits		3,804,214	3,519,298
	20	P27,854,204	P25,390,955

Inventory charged to cost of goods sold amounted to P32.03 billion and P31.55 billion in 2022 and 2021, respectively (see Note 20).

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	<i>Note</i>	2022	2021
Held-for-trading:	31		
Government securities		P3,000,000	P -
Equity securities		35,094	30,726
		P3,035,094	P30,726

The movements in these securities are as follows:

<i>(In thousands)</i>	<i>Note</i>	2022	2021
Cost		P15,356	P2,399,217
Addition		3,000,882	-
Disposal		-	(2,383,861)
		3,016,238	15,356
Valuation Adjustments			
Balance at beginning of year		15,370	12,158
Unrealized valuation loss for the year		3,486	3,212
Balance at end of year		18,856	15,370
	31	P3,035,094	P30,726

In 2021 and 2021, the Group recognized gain from sale of government securities amounting to nil and P1.7 million, respectively, while interest income earned from government securities amounted to P9.1 million and P7.1 million in 2022 and 2021.

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

<i>(In thousands)</i>	<i>Note</i>	2022	2021
Investments in common shares			
Quoted	31, 32	P5,713	P5,713
Unquoted	31, 32	2,304	2,304
		8,017	8,017
Investments in preferred shares	31, 32	7,262	7,262
		15,279	15,279
Less current portion		6,784	6,784
Non-current portion		P8,495	P8,495

The quoted shares are designated as FVOCI.

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

Investments 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:

<i>(In thousands)</i>	2022	2021
Balance at beginning of year	P15,279	P16,860
Unrealized fair value gains (losses)	-	(1,581)
Balance at end of year	P15,279	P15,279

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

<i>(In thousands)</i>	2022	2021
Balance at beginning of year	P3,177	P4,758
Unrealized fair value gain (loss) during the year	-	(1,581)
Balance at end of year	P3,177	P3,177

9. Prepaid Expenses and Other Current Assets

This account consists of:

<i>(In thousands)</i>	2022	2021
Prepaid expenses	P1,589,373	P940,610
Deferred input VAT - current	350,924	398,466
Input VAT	308,680	170,274
Advances to suppliers	131,937	102,657
Creditable withholding tax	20,775	20,752
Others	9,857	15,340
	P2,411,546	P1,648,099

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

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

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.

<i>(In thousands)</i>	2022	2021
Taxes and licenses	P1,291,531	P640,341
Insurance	145,609	142,336
Supplies	19,032	43,119
Advertising and promotion	71,743	67,442
Repairs and maintenance	6,998	4,313
Rent	68	59
Others	54,392	43,000
	P1,589,373	P940,610

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. Investments in Associates and Joint venture

This account consists of:

<i>(In thousands)</i>	2022	2021
Associates	P525,154	P539,998
Joint venture	175,396	175,396
	P700,550	P715,393

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:

<i>(In thousands)</i>	Percentage of Ownership		Carrying Amount	
	2022	2021	2022	2021
Associates:				
San Roque Supermarkets Retail Systems, Inc. ("SRS")	49	49	P461,153	P461,153
Pernod Ricard Philippines, Inc. ("PERNOD")	30	30		78,844
			539,997	539,997
Joint venture:				
AyaGold Retailers, Inc. ("AyaGold")	50	50	175,396	175,396
			P715,393	P715,393

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.

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 Pernod Ricard Philippines, Inc. ("PERNOD") for Euro2.1 million in February 2019.

The changes in the carrying amounts of are as follows:

<i>(In thousands)</i>	SRS		PERNOD	
	2022	2021	2022	2021
Balance at beginning of year	P461,153	P461,153	P78,844	93,360
Acquisition	-	-		
Other adjustments	-	-	(456)	(537)
Share in net income (loss)	-	-	(14,387)	(13,979)
Balance at end of year	P461,153	P461,153	P64,001	78,844

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.

<i>(In thousands)</i>	SRS		Pernod	
	2022	2021	2022	2021
Percentage of ownership	49.34%	49.34%	30%	30%
Current assets	824,453	824,453	P541,610	P541,610
Noncurrent assets	773,701	773,701	166,860	166,860
Current liabilities	(643,648)	(643,648)	469,888	469,888
Noncurrent liabilities	(615,855)	(615,855)	22,191	22,191
Net assets	338,451	338,451	216,391	216,391
Group's share in net assets			64,917	64,917
Goodwill	256,058	256,058	13,471	13,471
Carrying amount of interest in associates			78,844	78,844
Net sales	P -	4,655,176	P632,899	P632,899
Net income (loss)	-	(10,756)	(47,956)	(49,908)
Group's share in net income	P -	(P5,307)	(P14,387)	(P14,973)

Investment in Joint Ventures

AyaGold Retailers, Inc.

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

<i>(In thousands)</i>	2022	2021
Balance at beginning of year	P176,446	P176,446
Share in net income	-	-
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:

<i>(In thousands)</i>	2022	2021
Percentage of ownership	50%	50%
Current assets	253,420	253,420
Noncurrent assets	458,231	458,231
Total liabilities	(512,283)	(512,283)
Net assets	199,368	199,368
Group's share in net assets	88,223	88,223
Adjustments	88,223	88,223
Carrying amount of interest in joint venture	176,446	176,446
Net sales	P -	P537,759
Net income	-	(19,743)
Group's share in net income	P -	(P9,872)

**No movement in the carrying amount of investment in Joint Venture as the share in net income is unrecognized as of December 31, 2020.*

***Unrecognized share in net income*

PG Lawson Company, Inc.

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

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

11. Property and Equipment

The movements and balances of this account as at and for the period and year ended March 31 and December 31 consist of:

<i>(In thousands)</i>	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, 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	-	(1,963,974)	(1,925)
Transfer from investment properties	1,999,844	-	-	-	-	-	-	-	-	1,999,844
Disposals	(684)	(8,051)	-	(11,994)	(59,582)	(17,573)	(31,603)	-	-	(129,487)
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	51,496,806
Additions	80,106	33,514	-	20,962	88,916	5,915	84,450	-	442,790	756,653
Reclassifications	22	66,111	-	(2,649)	40,731	-	99,576	-	(207,819)	(4,028)
Disposals	-	-	-	(43)	(9,006)	-	(5,288)	-	-	(14,337)
March 31, 2022	6,992,343	10,365,804	517,848	3,850,896	12,454,627	307,886	16,585,429	204,955	955,306	52,235,094
Accumulated Depreciation and Amortization										
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	11,062	283,688	1,156,229	22,987	947,741	-	-	2,715,236
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	-	19,678,684
Depreciation and amortization	-	75,271	-	53,324	257,650	3,446	203,126	-	-	592,817
Disposals	-	-	-	(32)	(9,662)	-	(883)	-	-	(10,577)
Reclassifications	-	228	-	98	(98)	-	(228)	-	-	-
March 31, 2022	-	3,157,449	89,891	2,425,897	9,298,615	250,238	4,833,878	44,918	-	20,260,923
Allowance for impairment loss	-	-	-	-	-	-	-	160,037	-	160,037
Carrying Amounts										
December 31, 2021	P 6,912,215	P7,184,229	P427,957	P1,460,121	P3,283,259	P55,179	P11,774,828	P -	P720,336	P31,818,123
March 31, 2022	P6,992,343	P7,208,355	P427,957	P1,424,999	P3,156,012	P57,648	P11,751,551	P -	P955,306	P31,974,171

Interest expense on loans capitalized as part of property and equipment amounted to P2.9 million and P2.3 million in 2022 and 2021, 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:

<i>(In thousands)</i>	Land	Building	Construction in-Progress	Total
Cost				
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
Additions	-	-	-	-
Reclassifications	(28,805)	812	26,165	(1,828)
March 31, 2022	4,796,718	5,866,103	257,814	10,920,635
Accumulated Depreciation				
December 31, 2020	-	1,309,510	-	1,309,510
Depreciation	-	124,985	-	124,985
December 31, 2021	-	1,434,495	-	1,434,495
Depreciation	-	31,530	-	31,530
March 31, 2022	-	1,466,025	-	1,466,025
Carrying Amounts				
December 31, 2021	P4,825,523	P4,430,796	P231,649	P9,487,968
March 31, 2022	P4,796,718	P4,400,078	P257,814	P9,454,610

Depreciation expense are charged to cost of rent (see Note 20). Reclassifications pertain to cost of investment properties that are transferred to property, plant and equipment during the consolidation process. Total reclassifications amounted to P75.6 million and P202.9 million in 2020 and 2019, respectively.

As at March 31, 2022 and December 31, 2021, 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 P257.18 million and P246.09million in 2022 and 2021, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P147.0 million and P141.19 million in 2022 and 2021, respectively (see Note 20).

13. Goodwill and Other Intangibles

This account consists of:

<i>(In thousands)</i>	2022	2021
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	178,708	159,572
Leasehold rights - net	44,203	45,166
	P21,075,551	P21,057,378

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:

<i>(In thousands)</i>	2022	2021
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. Upon adoption of PFRS 16, the carrying values of the CGUs tested for impairment include their right-of-use assets and associated lease liabilities. Cash flow projections used in determining recoverable amounts include the lease payments in both the explicit forecast period and in terminal value. The recoverable amounts for the CGUs have been determined based on value in use.

VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 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 4% and 10% 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)	
	2022	2021	2022	2021
Kareila	6.6%	6.6%	3.6%	3.6%
Budgetlane Supermarkets	6.6%	6.6%	3.6%	3.6%
Gant	6.6%	6.6%	3.6%	3.6%
DCI and FLSTCI	6.6%	6.6%	3.6%	3.6%
OWI	8.9%	8.9%	3.0%	3.0%
NPSCC	9.3%	9.3%	3.0%	3.0%

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:

<i>(In thousands)</i>	2022	2021
Cost		
Balance at January 1	P485,432	P453,812
Additions	30,273	32,666
Adjustment	-	(1,046)
Balance at March 31 and December 31	515,704	485,432
Accumulated Amortization		
Balance at January 1	325,859	278,823
Amortization	11,137	47,691
Adjustment	-	(654)
Balance at March 31 and December 31	336,996	325,859
Carrying Amount at March 31 and December 31	P178,708	P159,572

Leasehold Rights

The movements in leasehold rights are as follows:

	2022	2021
Cost	P75,355	P75,355
Accumulated Amortization		
Balance at January 1	30,189	28,009
Amortization	962	2,180
Balance at March 31 and December 31	31,151	30,189
Carrying Amount at March 31 and December 31	P44,203	P45,166

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.

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

<i>(In thousands)</i>	Note	Participating Interest	2022	2021
a. Oil exploration costs:				
SC 14	a			
Block C2 (West Linapacan)		6.12%	P56,044	P56,044
Block D		5.84%	8,113	8,113
Block B1 (North Matinloc)		13.55%	4,192	4,192
			68,349	68,349
SC 6A	b	1.67%		
Octon Block			17,596	17,596
North Block			600	600
SC 6B (Bonita)	d	8.18%	8,027	8,027
			26,223	26,223
SC 51	c		32,817	32,817
Other oil projects			527	527
			33,344	33,344
			127,916	127,916
Allowance for impairment loss			(127,471)	(127,471)
Balance at end of year			475	475

Forward

<i>(In thousands)</i>	Note	Participating Interest	2022	2021
a. Mineral exploration costs:				
Nickel project	<i>e, f</i>	100.00%	P19,208	P19,208
Anoling gold project	<i>g</i>	3.00%	13,817	13,817
Gold projects	<i>h</i>	100.00%	13,036	13,036
Cement project	<i>i</i>	100.00%	18,796	15,312
Other mineral projects	<i>j, k</i>		382	382
			65,239	61,755
Accumulated for impairment losses			(56,046)	(56,046)
Balance at end of year			5,709	5,709
b. Other deferred charges			619	619
Allowance for impairment loss			(619)	(619)
Balance at year end			-	-
			P9,639	P6,154

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 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.

b) 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.

c) 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.

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 STOIP, with an increase of 15% from previous volumetric.

As at March 31, 2022 and December 31, 2021, 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 P0.013 million, P0.17 million and P0.13 million respectively. For the year ended December 31, 2021, the Group paid the amount of P0.57 million for mapping activities.

15. Other Noncurrent Assets

This account consists of mainly of security deposits, accrued rent income, deferred input VAT, prepaid rent and accrued rent income which pertains to the excess of rent income over billing to tenants in accordance with PAS 17, Leases, with carrying value amounting to P3.51 billion and P3.48 billion as at March 31, 2022 and December 31, 2021, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

<i>(In thousands)</i>	<i>Note</i>	2022	2021
Trade payables		P7,261,721	P10,843,562
Non-trade payables		1,049,271	1,933,264
Dividends payable	28	50,000	1,632,976
Due to government agencies		565,460	615,615
Retention payable		5,112	5,029
Construction bonds		20,974	22,191
Advance rentals		13,461	20,850
Accrued expenses			
Manpower agency services		713,037	864,688
Utilities		348,343	299,806
Fixed asset		137,977	-
Rent		58,266	99,043
Others		216,162	535,361
		P10,439,784	P16,872,386

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 March 31, 2022 and December 31, 2021, the Group has the following outstanding loans:

c. Short-term Loans

Details of short-term loans follow:

<i>(In thousands)</i>	2022	2021
Balance at beginning of year	P48,000	P42,000
Repayments	(30,000)	48,000
Availments	-	(42,000)
Balance at end of year	P18,000	P48,000

The balances of peso-denominated short-term loans of each segment as at March 31 and December 31 follow (*in thousands*):

Segment	Purpose(s)	Interests	2022	2021
Real estate	- Capital expenditure	3.0%	P18,000	P48,000
			P18,000	P48,000

d. Long-term Loans

The balance of long-term loans of the Group as follow:

(In thousands)	Note	2022	2021
PPCI:			
Fixed-rate peso-denominated notes of 4.513%	<i>b</i>	P11,880,000	11,880,000
		11,880,000	11,880,000
Unamortized debt issuance costs		(105,708)	(109,542)
		P11,774,292	P11,770,458

a. *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.

On May 17, 2021, the Parent Company paid the remaining balance of the loan.

- 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.

b. *PPCI*

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

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

In 2019, PPCI fully paid the outstanding balance.

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

c. *KMC*

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

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

On May 2, 2018, the maturity for the outstanding balance of P400 million was renewed for 7 years at 6.4% interest rate per annum. The entire loan was paid on May 12, 2020.

Total interest expense charged to profit or loss amounted to P129.29 million and P203.90 million in 2022 and 2021, respectively.

Interest expense on loans capitalized as part of property and equipment amounted to P2.9 million and P2.3 million in 2022 and 2021, respectively (see Note 11).

The movements in debt issuance costs are as follows

	2022	2021
Balance at beginning of the year	P109,542	P130,300
Amortizations	(3,834)	(20,758)
Balance at end of the period/year	P105,708	P109,542

18. Other Current Liabilities

This account as at March 31 and December 31 consists of:

<i>(In thousands)</i>	Note	2022	2021
Customers' deposits	21, 31, 32	P333,224	P354,402
Unredeemed gift certificates		168,473	204,842
Output VAT		6,630	192,310
Promotional discount		10,106	10,024
Others	31, 32	17,050	15,289
		P535,483	P776,867

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.

19. Revenues

The revenue from contracts with customers is disaggregated by revenue stream.

<i>(In thousands)</i>	2022	2021
Revenue from Contracts with Customers		
(PFRS 15)		
<i>Revenues</i>		
Grocery	P38,507,339	P37,728,812
Wine and liquor	1,526,772	1,174,936
Office and technology supplies	390,118	423,444
	40,424,229	39,327,192
<i>Other revenue</i>		
Concession fee income	414,683	547,299
Membership income	139,968	140,480
Miscellaneous	53,781	50,452
	608,432	716,304
Lease revenue (PFRS 16)		
<i>Revenues</i>		
Real estate and property leasing	257,157	246,089
<i>Other revenue</i>		
Retail (<i>Other revenue</i>)	99,981	76,665
	357,138	322,754
	P41,388,639	P40,366,250

20. Cost of Revenues

Cost of goods sold consists of:

<i>(In thousands)</i>	2022	2021
Beginning inventory	P25,390,956	P24,918,237
Purchases	34,499,435	33,586,743
Total goods available for sale	59,890,390	58,504,980
Ending inventory	27,854,204	26,953,613
	P32,036,186	P31,551,367

Cost of rent consists of:

<i>(In thousands)</i>	2022	2021
Depreciation	P61,877	P60,634
Taxes and licenses	24,187	19,086
Security services	17,399	19,836
Repairs and maintenance	15,938	12,006
Janitorial services	11,741	13,637
Management fees	7,990	9,218
Insurance	5,058	4,524
Rentals	1,080	849
Utilities	-	223
Others	1,725	1,175
	P146,995	P141,188

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:

<i>(In thousands)</i>	2022	2021
Cost		
Balance at January 1	P35,225,100	P33,508,380
Additions	240,026	2,540,045
Modifications	-	146,220
Terminations	-	(825,914)
End of lease term	-	(143,630)
Balance at March 31 and December 31	35,465,126	35,225,100
Accumulated Depreciation		
Balance, January 1	24,406,913	9,238,127
Depreciation	481,39	1,734,488
Terminations	-	(10,797)
End of lease term	-	(143,630)
Balance at March 31 and December 31	24,407,433	10,818,188
Carrying amount at March 31 and December 31	P24,165,546	P24,406,913

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

<i>(In thousands)</i>	2022	2021
Due within one year	P1,223,723	P1,223,723
Due beyond one year	30,271,128	30,271,128
	P31,494,851	P31,494,851

The movements in lease liabilities are as follows:

<i>(In thousands)</i>	2021	2020
January 1	P31,494,851	P30,184,370
Additions	-	1,788,247
Accretion of interest	497,915	2,220,894
Repayments	(846,836)	(1,913,537)
Terminations	-	(931,343)
Modifications	-	146,220
March 31 and December 31	P31,145,931	P31,494,851

Shown below is the maturity analysis of the undiscounted lease payments for the period and year ended March 31 and December 31:

<i>(In thousands)</i>	2022	2021
Less than one year	P3,318,570	P3,318,570
One to five years	13,982,999	13,982,999
More than five years	43,508,179	43,508,179
	P60,809,748	P60,809,748

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 P774.34 million and P709.94 million as at March 31, 2022 and December 31, 2021, composed of current and noncurrent portion, broken down as follows:

<i>(In thousands)</i>	<i>Note</i>	2022	2021
Current	18	P333,224	P354,402
Noncurrent		441,117	355,539
		P774,341	P709,941

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 P257.18 million and P246.09 million in 2022 and 2021, respectively.

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

<i>(In thousands)</i>	2022	2021
Less than one year	P1,219,187	P1,219,187
One to two years	883,432	883,432
Two to three years	828,808	828,808
Three to four years	744,353	744,353
Four to five years	681,802	681,802
More than five years	6,650,109	6,650,109
	P11,083,515	P11,083,515

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 P99.98 million and P76.66 million in 2022 and 2021, respectively (see Note 22).

The future minimum lease collections under non-cancellable operating leases as at March 31 and December 31 are as follows:

<i>(In thousands)</i>	2022	2021
Less than one year	P256,658	P256,658
One to two years	143,206	143,206
Two to three years	115,516	115,516
Three to four years	81,185	81,185
Four to five years	60,910	60,910
More than five years	59,454	59,454
	P716,929	P716,929

22. Other Revenue

This account consists of:

<i>(In thousands)</i>	Note	2022	2021
Concession fee income		P414,683	P547,299
Membership income		139,968	140,480
Rent income	21	99,981	76,665
Miscellaneous		53,781	50,452
		P708,412	P814,896

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:

<i>(In thousands)</i>	<i>Note</i>	2022	2021
Depreciation and amortization	11, 12, 13, 21	P1,059,366	P1,055,976
Manpower agency		832,840	863,837
Salaries and wages		724,388	657,458
Communication, light and water		637,878	533,393
Outside services		303,111	315,868
Taxes and licenses		265,952	271,100
Repairs and maintenance		172,385	153,975
Store and office supplies		168,989	130,872
Advertising and marketing		142,337	106,400
Transportation		132,040	77,155
Rent	21, 25	124,244	173,303
Credit card charges		113,198	104,861
Distribution Costs		101,990	98,293
Insurance		68,788	62,985
SSS/Medicare and HDMF contributions		57,697	53,119
Representation and entertainment		49,053	33,416
Input VAT allocable to exempt sales		44,791	49,647
Fuel and oil		33,840	18,647
Royalty expense	25	13,287	13,586
Professional fees		12,440	7,297
Retirement cost		554	-
Others		83,102	164,968
		P5,142,268	P4,946,152

24. Other Income (Charges)

This account consists of:

<i>(In thousands)</i>	<i>Note</i>	2022	2021
Gain from sale of securities investment		P -	P1,698
Loss from lease terminations	21	-	(2,324)
Foreign exchange gain (loss)		3,986	(197)
Share in income (losses) of joint ventures and associates	10	(14,387)	(5,189)
Unrealized valuation loss on financial assets	7	3,486	(2,117)
Bank charges		(249)	(189)
Gain on disposal of property and equipment		150	26
Gain (loss) on insurance claim		2,344	-
Miscellaneous		4,828	988
		P158	(P7,302)

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	Due to Related Parties	Terms	Conditions
Under Common Control								
▪ Loans receivable								
Principal	2022		-	-			Due on September 30, 2021; interest bearing	Unsecured
Interest	2022		-	-				
Principal	2021	a	P5,524,543	P5,524,543	P -	P -	Due on September 30, 2020; interest bearing	Unsecured
Interest	2021		42,207	621,488	-	-	Less than 3 months	Unsecured
▪ Money market placements	2021	b	-	-	-	-		
	2020		-	-	-	-		
▪ Advances for working capital requirements	2022		-	-	-	363,146	Due and demandable; non-interest bearing	Unsecured
	2021		-	-	-	363,146		
▪ Management fees	2022	d	32,018	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2021		29,030	-	-	-		
▪ Rent income	2022	e	121,603	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2021		125,909	-	-	-		
▪ Rent payments	2022	f	-	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2021		216,311	-	-	-		
Associates								
▪ Concession fee expense	2022	c	-	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2021		245,531	-	-	-		
Stockholder								
▪ Advances for working capital requirements	2022		1,178	-	60,341	282,026	Due and demandable; non-interest bearing	Unsecured
	2021		214,066	-	60,341	283,204		Unimpaired
▪ Royalty expense	2022	g	13,287	-	-	13,287	Due and demandable; non-interest bearing	Unsecured
	2021		57,336	-	-	45,868		
Key Management Personnel								
▪ Short-term benefits	2022		45,657	-	-	-		
	2021		45,657	-	-	-		
Total	2022			-	P60,341	P658,459		
Total	2021			-	P60,341	P692,219		

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% to 4.75%. The loan to Union Energy Corporation was fully paid on December 29, 2020 while loan to League One, Inc. was fully paid on June 17, 2021.

b. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with 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.

c. 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.

d. 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.

e. 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.

f. 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.

26. Retirement Benefit Costs

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 March 31 and December 31 are as follows:

<i>(In thousands)</i>	2022	2021
Present value of defined benefits obligation	P1,372,371	P1,376,417
Fair value of plan assets	(29,873)	(29,873)
	P1,342,498	P1,346,544

The following table shows reconciliation from the opening balances to the closing balances of the present value of defined benefits obligations:

<i>(In thousands)</i>	2022	2021
Balance at beginning of year	1,376,417	P1,461,778
Included in profit or loss:		
Current service cost	553	239,558
Interest cost	-	57,669
	553	297,227
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	-	(335,117)
Experience adjustments	-	(43,949)
	-	(379,066)
Benefits paid	(4,308)	(4,308)
Adjustment	(291)	585
Balance at end of period/year	P1,372,662	P1,376,417

The following table shows reconciliation from the opening balances to the closing balances for fair value of plan assets:

<i>(In thousands)</i>	2022	2021
Balance at beginning of year	P29,873	P30,018
Interest income	-	1,186
Return on plan asset excluding interest	-	(1,330)
Balance at end of year	P29,873	P29,873

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

<i>(In thousands)</i>	2022	2021
Cash in banks	P293	P293
Debt instruments - government bonds	15,827	15,827
Trust fees payable	(48)	(48)
Other	13,801	13,801
	P29,873	P29,873

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

	2022	2021
Discount rate	5.08% to 10.0%	5.08% to 10.0%
Future salary increases	7.0% to 26.90%	7.0% to 26.90%

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 reporting period 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:

2022

<i>(In thousands)</i>	Increase	Decrease
Discount rate (1% movement)	292,421	(231,408)
Future salary increase rate (1% movement)	281,529	(228,291)

2021

<i>(In thousands)</i>	Increase	Decrease
Discount rate (1% movement)	292,421	(231,408)
Future salary increase rate (1% movement)	281,529	(228,291)

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.

Maturity analysis of the benefit payments:

	2022 (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
	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

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:

<i>(In thousands)</i>	2022	2021
Current	P867,703	P814,898
Deferred	(45,014)	(57,648)
	P822,688	P757,249

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:

<i>(In thousands)</i>	2021	2020
Income before income tax	P3,528,702	P3,197,992
Income tax expense at the statutory income tax rate:		
25% and 30%	P868,546	P788,661
5%	4,476	3,911
Income tax effects of:		
Deduction from gross income due to availment of optional standard deduction	(35,957)	(20,792)
Dividend income	(185)	(179)
Interest income subject to final tax	(22,572)	(24,724)
Non-deductible interest expense	4,339	5,953
Changes in unrecognized DTA	793	226
Other income subject to final tax	(513)	(1,088)
Non-deductible other expenses	917	
Non-deductible expenses	160	4,565
Share in loss of associates and joint ventures	3,597	1,297
Non-taxable income	(912)	(582)
	P822,688	P757,249

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:

<i>Net deferred tax assets</i>		
<i>(In thousands)</i>	2022	2021
Items recognized in profit or loss		
Net deferred tax assets on:		
Excess of lease liabilities over ROU assets	P1,969,707	P1,781,846
Retirement benefits liability	380,673	335,526
Unrealized foreign exchange loss	-	3,083
Allowance for impairment of deferred oil and mineral exploration costs	-	32,023
Allowance for impairment losses on receivables	5,432	22,317
Borrowing cost	-	(10,678)
Advance rentals	(3,835)	(153,258)
Others	(37,198)	25,053
Fair value of intangible assets from business combination	(1,149,778)	(1,149,778)
Advance rent	(6,398)	(5,213)
Accrued rent	(47,907)	1,843
Remeasurements	(51,055)	-
	P1,160,062	P882,764

28. Equity

Capital Stock

The details of the Parent Company's common shares follow:

	2022		2021	
	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	461,682,790	1,706,610	459,071,290	1,693,263
Outstanding	6,943,580,774	P5,698,654	6,946,192,274	P5,712,001
Treasury shares:				
Balance at beginning of year	459,071,290	P1,693,263	451,238,890	P1,652,861
Buy back of shares	2,611,500	13,347	7,832,400	40,402
Balance at end of year	461,682,790	P1,706,610	459,071,290	P1,693,263

Treasury Shares

On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1 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 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

As of March 31, 2022 and December 31, 2021, unpaid cash dividends on common shares amounting to P0.50 million and P1.6 billion, respectively, are included as part of as "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

Non-controlling Interests

For the period and year ended March 31, 2022 and December 31, 2021, movements in NCI pertain to the share in net earnings of and dividends paid to non-controlling shareholders, and NCI on business combinations.

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.

<i>(In thousands)</i>	2022			2021		
	PPCI	TKHI	CHC	PPCI	TKHI	CHC
NCI percentages	51%	22.46%	10%	51%	22.46%	10%
Carrying amounts of NCI	P39,438,150	P732,099	P7,832,855	P38,353,716	P2,704,745	P732,100
Current assets	P63,403,961	P13,722,242	P12,677,300	P65,930,709	P13,817,913	P12,677,300
Noncurrent assets	73,545,829	22,802,564	-	73,503,099	331,421	-
Current liabilities	12,491,687	1,518,245	1,625,585	17,184,815	1,960,440	1,625,585
Noncurrent liabilities	46,885,032	131,873	3,730,720	46,773,000	146,712	3,730,720
Net assets	P77,573,072	P34,874,687	P7,320,995	P75,475,992	12,042,182	P7,320,995
Net income attributable to NCI	P1,093,683	P74,689	P -	5,157,733	P55,172	P4,392
Other comprehensive attributable to NCI	P -	P193	P -	P137,163	(P56)	P -
Revenue	P38,507,339	P2,169,352	P -	P164,124,835	P11,034,613	P59,469
Net income	P2,151,226	P332,545	P -	P8,180,022	1,584,383	P43,917
Other comprehensive loss	-	861	-	269,258	(1,596)	-
Total comprehensive income	P2,151,226	P333,406	P -	P8,449,880	P1,582,787	P43,917

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
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:

<i>(In thousands)</i>	Segment Revenues		Segment Profit	
	2022	2021	2022	2021
Grocery retail	P38,507,339	P37,728,812	P2,151,226	P2,020,431
Liquor distribution	2,169,352	1,764,719	332,545	227,954
Specialty retail	390,118	424,025	16,414	17,547
Real estate and property leasing	449,186	427,581	226,773	200,056
Holding, oil and mining		-	(20,945)	(25,246)
Total	41,515,995	40,345,137	2,706,013	2,440,742
Eliminations of intersegment revenue/profit	835,768	771,856	-	-
	P40,680,227	P39,573,281	P2,706,013	P2,440,742

Revenue reported above represents revenue generated from external customers and inter-segment sales and is broken down as follows:

<i>(In thousands)</i>	2022	2021
Grocery retail:		
From external customers	P38,507,339	P37,728,812
Liquor distribution:		
From external customers	1,526,772	1,174,936
From intersegment sales	642,580	589,783
	2,169,352	1,764,719
Specialty retail:		
From external customers	388,959	423,444
From intersegment sales	1,159	581
	390,118	424,025
Real estate and property leasing:		
From external customers	257,157	246,089
From intersegment sales	192,029	181,492
	449,186	427,581
Oil and mining:		
From external customers	-	-
Total revenue from external customers	P40,680,227	P39,573,281
Total intersegment revenue	P835,768	P771,856

No single customer contributed 10% or more to the Group's revenue in 2021 and 2020

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:

<i>(In thousands)</i>	2022	2021
Segment assets:		
Grocery retail	P136,949,791	P139,433,807
Specialty retail	1,014,192	934,249
Liquor distribution	36,524,805	9,868,893
Real estate and property leasing	25,433,847	24,515,256
Oil and mining	101,435,218	129,577,442
Total segment assets	301,357,853	304,329,647
Intercompany assets	116,645,894	116,545,019
Total assets	P184,711,959	P187,784,628
Segment liabilities:		
Grocery retail	P59,376,719	P63,957,815
Specialty retail	546,574	483,045
Liquor distribution	1,650,118	2,136,321
Real estate and property leasing	8,139,799	8,014,891
Oil and mining	5,911,115	7,214,003
Total segment liabilities	75,624,325	81,806,074
Intercompany liabilities	16,752,809	17,222,472
Total liabilities	P58,871,516	P64,583,603

30. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

<i>(In thousands except per share data)</i>	2022	2021
Net income attributable to equity holders of the Parent Company (a)	P1,537,641	P1,407,703
Weighted average number of common shares (b)	6,944,358	6,952,662
Basic/diluted EPS (a/b)	P0.2214	P0.2025

There were no potential dilutive common shares in 2021 and 2020.

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.

<i>(In thousands)</i>	Note	2022	2021
Cash and cash equivalents ⁽¹⁾	4	P53,288,953	P63,285,980
Receivables – net	5	4,910,203	4,735,784
Financial assets at FVPL	7	3,035,094	30,726
Security deposits ⁽²⁾	15	2,315,412	2,299,378
Due from related parties	25	60,341	60,341
Financial assets at FVOCI	8	6,784	15,279
		P63,616,787	P70,427,488

⁽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.

<i>(In thousands)</i>	March 31, 2022			Total
	Grade A	Grade B	Grade C	
Financial Assets at Amortized Cost				
Cash and cash equivalents ⁽¹⁾	P53,288,953	P -	P -	P53,288,953
Receivables	2,874,912	2,035,291	99,032	5,009,236
Due from related parties	60,341	-	-	60,341
Security deposits ⁽²⁾	2,315,412	-	-	2,315,412
Financial Assets at FVPL				
Investments in trading securities	3,035,094	-	-	3,035,094
Financial Assets at FVOCI				
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares				
Quoted	7,294	-	-	7,294
Unquoted	7,262	-	-	7,262
	P61,596,530	P2,035,291	P99,032	P63,730,854

⁽¹⁾ Excluding cash on hand.

⁽²⁾ Included as part of "Other noncurrent assets".

<i>(In thousands)</i>	December 31, 2021			Total
	Grade A	Grade B	Grade C	
Financial Assets at Amortized Cost				
Cash and cash equivalents ⁽¹⁾	P63,285,980	P -	P -	P63,285,980
Receivables	3,146,083	1,589,701	89,269	4,825,053
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	P70,516,757

⁽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 probability 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 probability 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 probability 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.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

<i>(In thousands)</i>	March 31, 2022				
	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⁾	P9,874,324	P9,874,324	P9,874,324	P -	P -
Lease liabilities	30,132,436	60,809,748	3,318,570	13,982,999	43,508,179
Due to related parties	658,459	658,459	658,459	-	-
Long-term loans ⁽²⁾	11,774,292	15,293,711	500,593	2,002,374	12,790,743
Customers' deposits ⁽³⁾	774,341	774,341	228,817	545,524	-
	5P3,213,852	P87,410,583	P14,580,763	P16,530,897	P56,298,922

⁽¹⁾ Excluding due to government agencies.

⁽²⁾ Including current and non-current portion.

⁽³⁾ Including current and non-current portion.

<i>(In thousands)</i>	December 31, 2021				
	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	-	-	-	-
	P59,609,825	P93,225,597	P20,816,153	P15,985,373	P56,424,071

⁽¹⁾ Excluding due to government agencies.

⁽²⁾ Including current and non-current portion.

⁽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 March 31, 2022 and December 31, 2021.

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 its 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 March 31, 2022 and December 31, 2021, 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. Reclassification

Certain accounts in 2021 consolidated interim financial statements have been adjusted to reflect required adjustments in certain accounts of the Real Estate segment resulting in relation to PFRS 16, Leases and are presented as follows:

<i>(In thousands pesos)</i>	March 31, 2021		
	As Previously Reported	Adjustments	As Restated
Statement of Income			
Revenue	39,602,263	(28,982)	39,573,281
Others-net	(580,461)	28,982	(551,479)

ANNEX "G"

SUMMARY OF SEC 17- C REPORTS

The following are the summary of the SEC Form 17-C filed by the Company:

Date of Report	Date Filed with SEC
January 29, 2021	January 29, 2021
<p>Result of the Board Meeting dated January 29, 2021</p> <p>Presenting for disclosure is the 2020 Attendance Report of Cosco Capital's members of the Board of Directors.</p>	
February 19, 2021	February 24, 2021
<p>Result of the Special Board Meeting dated January 29, 2021</p> <p>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:</p> <ol style="list-style-type: none"> 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: <ul style="list-style-type: none"> (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 	
March 22, 2021	March 26, 2021
<p>Buy-back of Shares</p> <p>On March 22, 2021, Cosco Capital, Inc. bought back 224,100 COSCO shares at 5.16 per share.</p>	
March 30, 2021	April 6, 2021
<p>Buy-back of Shares</p> <p>On March 30, 2021, Cosco Capital, Inc. bought back 1,000,000 COSCO shares at 5.21 per share.</p>	
April 6, 2021	April 12, 2021
<p>Result of Cosco Capital Regular Board Meeting dated April 6, 2021</p> <p>In its meeting held today, the Board of Directors approved the following:</p> <ol style="list-style-type: none"> 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: <ul style="list-style-type: none"> Date: June 25, 2021 Time: 10:00 AM Manner: via Zoom Meeting per SEC Circular No. 6 Series of 2020 	

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.	

June 16, 2021	June 16, 2021
Buy-back of Shares On June 16, 2021, Cosco Capital, Inc. bought back 500,000 COSCO shares at 16.2 per share.	
June 21, 2021	June 21, 2021
Buy-back of Shares On June 21, 2021, Cosco Capital, Inc. bought back 100,000 COSCO shares at 10.63 per share.	
June 22, 2021	June 22, 2021
Buy-back of Shares On June 22, 2021, Cosco Capital, Inc. bought back 47,700 COSCO shares at 16.17 per share.	
June 23, 2021	June 25, 2021
Buy-back of Shares On June 23, 2021, Cosco Capital, Inc. bought back 200,000 COSCO shares at 16.29 per share.	
June 25, 2021	June 25, 2021
Buy-back of Shares On June 25, 2021, Cosco Capital, Inc. bought back 250,000 COSCO shares at 16.2 per share.	
June 25, 2021	June 28, 2021
<p>Result of the Annual Stockholders' Meeting of Cosco Capital, Inc. dated June 25, 2021</p> <p>In its meeting held today, the Board of Directors approved the following:</p> <ol style="list-style-type: none"> 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 <p>Other Relevant Information:</p> <p>Chairman and President's Joint Letter to Stockholders, Minutes of the Stockholders' Meeting, and Profile of newly-elected Directors of Cosco Capital, Inc.</p>	
June 25, 2021	June 28, 2021
<p>Result of the Organization Meeting of the Board of Directors of Cosco Capital, Inc.</p> <p>In its meeting held today, the Board of Directors appoints the following officers and committee members:</p> <p>Chairman: Mr. Lucio L. Co Vice Chairman: Mrs. Susan P. Co President: Mr. Leonardo B. Dayao</p>	

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
 Sustainability 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.

June 29, 2021	June 29, 2021
Buy-back of Shares	
On June 29, 2021, Cosco Capital, Inc. bought back 200,000 COSCO shares at 5.40 per share.	
July 1, 2021	July 2, 2021
Buy-back of Shares	
On July 1, 2021, Cosco Capital, Inc. bought back 87,200 COSCO shares at 16.14 per share.	
November 5, 2021	November 8, 2021
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.	
November 9, 2021	November 10, 2021
Result of Cosco Capital Regular Board Meeting dated November 9, 2021	

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.

November 15, 2021

November 15, 2021

Press Release

Cosco Capital net income up 13% at PHP 7.27 billion in 9M 2021

November 15, 2021

November 18, 2021

Company Presentation for its 9M 2021 Financial Results

December 21, 2021

December 22, 2021

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

ANNEX "H"

CERTIFICATION

I, **JOSE S. SANTOS, JR.**, Filipino, of legal age, am the Corporate Secretary of **COSCO CAPITAL, INC.** hereby certify that *none* of the directors and officers of the Company works for the Philippine Government as of date hereof.

I am issuing this Certification as a requirement of the Securities and Exchange Commission for the issuance of the Information Statement of the Company.


SIGNED this 20 MAY 2022 day of May 2022 in the City of Manila, Philippines.


JOSE S. SANTOS, JR.

Corporate Secretary

SUBSCRIBED AND SWORN to before me this 20 MAY 2022 day of May 2022 in the City of Manila. Affiant exhibited his Integrated Bar of the Philippines Lifetime ID No. 00784.

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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-0011920/03-02-22
No. 900 Romualdez St., Paco, Manila

ANNEX "I"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROBERT Y. COKENG**, Filipino, of legal age and with office at the 5th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City, after having been duly sworn to in accordance with the law, do hereby declare that:

1. I am a nominee for Independent Director of Cosco Capital, Inc. and have been its independent director since 2013.

2. I am affiliated with the following companies:

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
F&J Prince Holdings Corp.	Chairman and President	More than 20 years
Magellan Capital Holdings Corp.	Chairman and President	More than 20 years
Magellan Utilities Dev. Corp.	Chairman and President	More than 20 years
Pinamucan Industrial Estate, Inc.	Chairman	More than 20 years
Consolidated Tobacco Ind. of the Phils.	Chairman and President	More than 20 years
Center Industrial and Investment Inc.	Chairman and President	More than 20 years
Malabrigo Corp.	Chairman and President	More than 20 years
Pinamucan Power Corp.	Chairman and President	More than 20 years
Essential Holdings Ltd.	Managing Director	More than 20 years
Magellan Capital Corporation	Chairman/President	More than 20 years
Pointwest Technologies Corp.	Chairman	More than ten years
Pointwest Innovations Corp.	Chairman	More than ten years
Business Process Outsourcing Int'l	Chairman/Executive Comm. Dir.	More than ten years
IPADS Developers, Inc.	Chairman	More than 5 years
All IPADS Inc.	Chairman	5 years
Philippine Bank of Communications	Independent Director	From June 2021

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cosco Capital Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of Cosco Capital Inc.

5. I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not involved or employed in any government service, government agency, or GOCC. Thus, no required permission per Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rule is necessary.

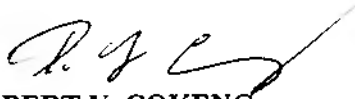


7. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of Cosco Capital, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this 20 MAY 2022 in the City of Manila.


Certification of Independent Director:



ROBERT Y. COKENG
Nominee for Independent Director
Cosco Capital, Inc.

SUBSCRIBED AND SWORN to before me this 20 MAY 2022 in Manila, Philippines, affiant personally appeared before me and exhibited to me his Driver's License No. N02-01-448423 valid until June 6, 2028.

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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-0011920/03-02-21
No. 900 Romualdez St., Paco, Manila

ANNEX "J"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OSCAR S. REYES**, Filipino, of legal age and with office at Unit 2504, 139 Corporate Center, Valero St., Salcedo Village, Makati City, after having been duly sworn to in accordance with the law, do hereby declare that:

1. I am a nominee for Independent Director of Cosco Capital, Inc. and have been its independent director since 2009.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
Bank of the Philippine Islands	Director Member, Advisory Council	2003 – 2016; 2016 – present
Basic Energy Corporation	Independent Director Member, Advisory Board	2007 – 2019; 2019 – present
PLDT, Inc.	Director Member, Advisory Board	2001 – 2010; 2010 – present
Pepsi Cola Products Philippines, Inc.	Chairman	2007 – present
PXP Energy Corporation	Director	2017 – present
DM Wenceslao & Associates Inc.	Independent Director	2019 – present
PLDT Communications & Energy Ventures, Inc.	Director	2013 – present
Link Edge Inc.	Non-Executive Chairman	2002 – present
Grepa Asset Management	Independent Director	2011 – present
Sun Life Financial Plans Inc.	Independent Director	2006 – present
Sun Life Prosperity Dollar Advantage Fund, Inc.	Independent Director	2004 – present
Sun Life Prosperity Dollar Abundance Fund, Inc.	Independent Director	2002 – present
Sun Life Prosperity GS Fund, Inc.	Independent Director	2011 – present
Sun Life Prosperity Peso Voyager Fund Inc.	Independent Director	2022
Sun Life Prosperity Dollar Starter Fund Inc	Independent Director	2021 – present
Sun Life Prosperity Dynamic Fund Inc.	Independent Director	2018 – present
Sun Life Prosperity Achiever Fund 2028 Inc.	Independent Director	2018 – present
Sun Life Prosperity Achiever Fund 2038 Inc.	Independent Director	2018 – present
Sun Life Prosperity Achiever Fund 2048 Inc.	Independent Director	2018 – present
Sun Life Prosperity World Equity Fund	Independent Director	2018 – present
Sun Life of Canada Prosp. Balance Fund	Independent Director	2018 – present
Sun Life of Canada Prosperity Equity Fund	Independent Director	2018 – present
Petrolift Inc.	Independent Director	2007 – present
Eramen Minerals Inc.	Independent Director	2004 – present
Pioneer Insurance & Surety Corporation	Member, Advisory Board Independent Director	2019 – 2020 2019 – present
Pioneer Life Inc.	Member, Advisory Board	2019 – present
Pioneer Intercontinental Insurance Corp.	Member, Advisory Board Independent Director	2019 – 2020 2020 – present
Phil. Dealing System Holdings Corp.	Independent Director	2019 – present
Phil. Dealing Exchange Corporation	Independent Director	2019 – present
Phil. Depository & Trust Corporation	Independent Director	2019 – present
Phil. Securities Settlement Corporation	Independent Director	2019 – present
Team Energy Corporation	Independent Director	2019 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cosco Capital Inc. as provided for in Section 38 of the

Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of Cosco Capital Inc.
5. Except for a Complaint lodged by Johnson Sanhi representing Repower Development Energy Corporation which I and my counsels believe to be highly baseless and false Complaint, and which has been dismissed by the Makati City Prosecutor but was moved by the Complainant for review by the Department of Justice, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not involved or employed in any government service, government agency, or GOCC. Thus, no required permission per Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rule is necessary.
7. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.
8. I shall inform the Corporate Secretary of Cosco Capital, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this 20 May 2022 in the City of Manila.


Certification of Independent Director:



OSCAR S. REYES
Nominee for Independent Director
Cosco Capital, Inc.

SUBSCRIBED AND SWORN to before me this 20 MAY 2022 in Manila, Philippines, affiant personally appeared before me and exhibited to me his Social Security System ID with no. 03-1370892-1.

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ROXANNE G. DOMINGO-MAUP
Notary Public for the City of Manila
Commission No. 2021-00 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-?
No. 900 Remuñales St., Paco, Manila

ANNEX "K"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BIENVENIDO E. LAGUESMA**, Filipino, of legal age and with office at 706 Prestige Tower, F. Ortigas, Jr. Road, Ortigas Center, Pasig City, after having been duly sworn to in accordance with the law, do hereby declare that:

1. I am a nominee for Independent Director of Cosco Capital, Inc. and have been its independent director since 2017.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
Laguesma Magsalin Fernandez & Quirologico Law Offices	Partner	2021 – present
Maritime Academy of Asia and the Pacific (MAAP)	Trustee	2019 – present
Anda Power Corporation	Vice-Chairman	2021 - present
Philippine Bank of Communications	Independent Director	2019 – present
The Keepers Holdings, Inc.	Independent Director	2020 – present
PAL Holdings, Inc.	Independent Director	2021 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cosco Capital Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of Cosco Capital, Inc.

5. I am not the subject of any pending criminal or administrative investigation or proceeding.

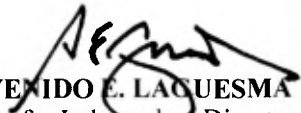
6. I am not involved or employed in any government service, government agency, or GOCC. Thus, no required permission per Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rule is necessary.

7. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of Cosco Capital, Inc. of any changes in the abovementioned information within five days from its occurrence.


Done, this 20 MAY 2022 day of May 2022 in the City of Manila.

Certification of Independent Director:


BIENVENIDO E. LAGUESMA
Nominee for Independent Director
Cosco Capital, Inc.

SUBSCRIBED AND SWORN to before me this 20 MAY 2022 in Manila, Philippines, affiant personally appeared before me and exhibited to me his Social Security System No. 335139112.

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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-0011920/03-02-2022
No. 908 Romualdez St., Paco, Manila

COVER SHEET

ANNEX "L"

0 0 0 0 0 1 4 7 6 6 9

SEC Registration Number

COSCO CAPITAL, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,

MANILA

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

CANDY H. DACANAY-DATUON

(02) 8523-3055

(Company Telephone Number)

1 2

Month

3 1

Day

SEC FORM 17-C

(Form Type)

0 6

Month

2 5

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES
REGULATIONS CODE AND SRC RULE 17.2 (C) THEREUNDER

Date of Report	June 25, 2021
SEC Identification Number	147669
BIR Tax Identification Number	000-432-378
Name of Issuer as specified in its charter	Cosco Capital, Inc.
Address of principal office and postal code	No. 900 Romualdez St., Paco, Manila, 1007
Industry Classification Code	
Issuer's Telephone Number	(632) 522-8801
Former Name	None
Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA	Number of Common Shares – 7,192,313,264 Treasury Shares – 212,950,300
Indicate the item numbers reported therein	Other Matters/Event

Subject of the Disclosure:

Result of the Annual Stockholders' Meeting of Cosco Capital, Inc. dated June 25, 2021.

Background or Description of the Disclosure:

On June 25, 2021, Annual Stockholders' Meeting of Cosco Capital, Inc., stockholders representing a total of 6,030,497,554 common shares or 84% of the issued and outstanding shares attended the meeting and approved the following items:

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 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:

Please see attached Chairman and President's Joint Letter to Stockholders, Minutes of the Stockholders' Meeting, and profile of newly-elected Directors of Cosco Capital, Inc.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COSCO CAPITAL, INC.

A handwritten signature in blue ink, appearing to read 'Candy H. Dacanay-Datuon', is written over the printed name.

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



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

Chairman and President's Letter to the Stockholders

Dear Stockholders,

It's been a very challenging year, a true test of our capabilities as a company. We are pleased to say that we met 2020 head-on with new strategies, agility, and resilience.

As a result, we were able to weather significant changes due to the pandemic, and ultimately surpass our financial performance from the previous year. In fact, our core net income grew up to P10 billion—over 7.4% greater than last year's revenue.

Yes, COVID-19 has introduced major changes to our way of life. But our commitment to our partners and stakeholders, and mission to improve the lives of others, have stayed the same.

We continue to pursue strategic growth, and provide the best products and services for our customer base, while supporting government initiatives to ensure the health and protection of our customers, tenants, and employees.



Overall, the company ended 2020 on a positive note. We were able to achieve this by exercising flexibility across our business segments.

Net Sales **2020**

 **6.77%**
₱177.32 Billion
from previous year

Core Net Income **2020**

 **7.4%**
₱10.0 Billion
from previous year

Total Assets **2020**

 **15.37%**
₱178.19 Billion
from previous year

Business Segment Review

All business units were able to hold their own in maintaining their business operations and continued to deliver profitable operating results. Each segment encountered their own specific challenges in relation to the pandemic, and each responded accordingly with their own unique strategies.



Grocery Retail

The grocery retail business segment, in particular, proved to be a truly essential industry, serving the country by providing basic necessities, such as fresh meat and produce, hygiene products, and personal protective equipment. Puregold and S&R's extensive nationwide network of stores has bolstered our annual earnings, providing a much needed cushion and lift. We've also bolstered our retail business by strengthening our e-commerce efforts.

This segment was mainly responsible for how we were able to achieve high numbers for our core net income, given increased demand for the segment's products and services. In fact, grocery retail's segment revenue grew by 9.2% from the previous year, generating Php 168.63 billion.

Wine and Liquor Distribution

Though lockdown and quarantine restrictions enforced alcohol bans throughout the year, our wine and liquor segment stayed afloat through our strong portfolio of leading brands, our distribution network, and the agility of our business units.

In terms of net profit and margin, this segment experienced a 2.7% decrease, the least severe decrease across our business units. Even though segment revenue decreased by 23.8% this year, wine and liquor distribution still managed to generate revenue of Php 8.17 billion and a net profit of Php1.18 billion

The liquor industry is a growth industry. Recovering our numbers and surpassing our financial goals next year will simply be a matter of keeping our fundamentals solid, as we watch for the gradual reopening of trade and the loosening of liquor ban restrictions. Bouncing back is entirely doable, given our brand portfolio and the relationships our group of companies have established.



Real Estate

Like every other business, some aspects of our industry performed better than others. In relation to the Real Estate Segment, closures and quarantine regulations made operations generally more difficult. 47% of tenants' portfolios were directly affected by these shifts. As a result, net profit and margin decreased by 42.9%, amounting to P700 million. Segment revenue decreased by 21% from last year, generating Php 1.69 billion for 2020.

Despite the pandemic, the real estate segment continues to operate with recovery and expansion in mind. Cosco has begun work on commercial properties in Biñan, Laguna and Antipolo, Rizal.



Specialty Retail

The Speciality Retail Segment has always provided high quality, cost-efficient technologies for schools and offices. Office Warehouse has consistently passed annual historical sales for the past three years; however, COVID-19 took its toll, with the pandemic forcing the closure of offices and universities and therefore decreasing demand and business.

In 2020, the segment experienced a 42.5% decrease in net profit and margin compared to last year, bringing in P56 million. Segment revenue decreased by 31.8% from last year, bringing in Php 1.67 billion for 2020.

To help address these challenges, we increased Office Warehouse's online presence through e-commerce platforms and other technology-driven tools.





Our Employees

We at Cosco know that our employees are the lifeblood of our work, operations, and the way we service our country. This is why we continue to foster and cultivate a service that looks after the welfare of our employees and tenants. We also supported government regulations that ensure the health and protection of our people—from implementing in-store social distancing and sanitization, to encouraging work from home arrangements.

Over 56% of our employees are female, which indicates our commitment to gender parity and equal opportunity employment.

Once again, Puregold was recognized as one of the Philippine's 'Best Companies to Work For,' an honor and award that we've been given since 2018.

As of this point in 2021, our country is showing signs of recovery. Vaccination efforts are ramping up and travel restrictions are loosening. We hope to ride and boost this wave of recovery with our organic expansion programs, as well as improve the performance of our other business segments.

As for our sustainability efforts, we are formulating a comprehensive Climate Change Response Program to mitigate risk and decrease pollution. The company has also invested a significant amount in improving water sanitation and waste management across segments, which we will ramp up in the coming years.

In terms of social sustainability, the LCKK Foundation, Inc. has been instrumental in following through on our commitment to offer opportunities for quality education. Our foundation continues to initiate scholarship programs for youth in need of support, made possible with the support of our University and Local State College partners.

We salute our employees, officers, and staff for their amazing work this year! The struggles of 2020 have revealed everyone's deep commitment to Cosco's businesses, people, and culture. We are greatly encouraged by all the hard work, despite the myriad difficulties.

It was a major feat to provide the best service to our customers and deliver notable business returns for our partners and stakeholders in this challenging time.

To our Board of Directors, we are deeply grateful for your trust and support in the Management and Staff of Cosco Capital, Inc., and for standing by us.

Lucio L. Co
Chairman

Leonardo B. Dayao
President

Minutes of Annual Stockholders' Meeting of
COSCO CAPITAL, INC.
June 25, 2021, 10 AM, via live stream

The Chairman of the Board and the Annual Stockholders' Meeting, Mr. Lucio Co, welcomed the stockholders, directors, and officers of Cosco Capital, Inc. He thanked them for attending the annual meeting.

A. Call to Order and Proof of Notice and Quorum

Mr. Co called the meeting to order. He asked the Corporate Secretary, Atty. Jose S. Santos, Jr. if there is a quorum in the annual stockholders' meeting.

Atty. Santos replied that the Company caused notices of this Annual Stockholders' Meeting to be disseminated to all stockholders of record, in accordance with the provisions of the By-Laws and the Memorandum Circular of the Securities and Exchange Commission dated March 16, 2021, entitled "Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Statement, and other documents in connection with the holding of Annual Stockholders Meeting for 2021".

Atty. Santos submitted the Notice of Meeting to the Securities and Exchange Commission and the Philippine Stock Exchange through the EDGE submission system, where the PSE approved it as a Company Announcement. Notably, the Company caused the Notice of this year's Annual Stockholders' Meeting to be:

1. Posted on the website of the Company;
2. Posted as a Company Announcement in the PSE Edge System; and
3. Published in both the physical paper and the online platform of Philippine Daily Inquirer and the Philippine Star on May 26 and 27, 2021.

He also mentioned that all the current members of the Board of Directors who are at the same time nominees for re-election, the executive officers of the Company, and the representatives from the External Auditor, R.G. Manabat & Co., were present in the meeting via zoom.

Atty. Santos certified that there was a quorum for valid transaction of business in the meeting because out of 7,196,479,564 common shares issued and outstanding of the Company, there were present in the meeting, in person, *in absentia*, and by proxy, stockholders representing a total of 6,030,497,554 common shares, or equivalent to 84% of the outstanding capital stock of the Company.

B. Approval of the Minutes and Ratification of all acts of the Board of Directors and Management

Mr. Lucio Co proceeded in the next item in the agenda, the approval of the minutes of the previous stockholders' meeting and ratification of all acts of the Board of Directors and officers of the Company since the last Annual Stockholders' Meeting held on August 18, 2020.

A motion was made to approve the minutes of the previous stockholders' meeting,

together with all acts, proceedings, contracts, or deeds performed, entered into, or executed by the Company's Board of Directors and officers, be approved, confirmed, and ratified as if such acts, proceedings, contracts, or deeds had been performed, entered into, or executed with specific and special authorization of the stockholders in a meeting duly convened and held.

The motion was duly seconded and carried out.

Mr. Lucio Co called upon the Secretary to present the votes garnered in the particular item in the agenda.

Atty. Santos presented the following result:

	Yes	No	Abstain
Approval of the Minutes and Ratification of all acts of the Board of Directors and Management	5,932,479,439	0	27,710,315

C. Approval of 2020 Annual Report and Audited Financial Statements

Mr. Lucio Co moved to the next item in the agenda, the presentation of the Annual Report and the approval of the Consolidated Audited Financial Statements of the Company as of December 31, 2020.

The Joint Chairman and President's Report to the Stockholders are attached in the Minutes.

During the reading of the said letter, the Company played a video presentation. The said video presentation is available on the Company's website.

Mr. Lucio Co asked the stockholders if they have any questions regarding the Annual Report of the Company. The Chairman heard none.

After that, a motion to approve the Annual Report and the Consolidated Audited Financial Statements of the Company were duly seconded. There being no objection, the motion was approved.

Mr. Lucio Co called upon the Secretary to present the votes garnered in the particular item in the agenda. Atty. Santos presented the following result:

	Yes	No	Abstain
Approval of 2020 Annual Report and Audited Financial Statements	5,929,770,739	0	30,419,015

D. Election of Directors

Mr. Lucio Co moved to the next item in the agenda, the election of the members of the Board of Directors for the year 2021 - 2022.

He narrated that the Corporate Governance Committee pre-screened the qualifications of all nominees and prepared a final list of all candidates for directors and that such final list of candidates was made available to all stockholders through the information statements released to the public.

Mr. Lucio Co sought approval from stockholders to confirm the eligibility 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 this year, 2021.

Mr. Lucio Co reminded the stockholders that Mr. Cokeng and Mr. Reyes had been independent directors of the Company since 2011 and that the Board of Directors decided to extend their term for another two years for the following reason:

"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."

Mr. Lucio Co endorsed the approval of the eligibility of Mr. Cokeng and Mr. Reyes, and that they are re-elected, together with the other nominees for directors in the meeting.

Atty. Santos announced the candidates for the 2021 Board of Directors:

1. Mr. Lucio Co
2. Mrs. Susan Co
3. Mr. Leonardo Dayao
4. Mr. Roberto Juanchito Dispo
5. Mr. Levi Labra
6. Mr. Jaime Bautista
7. Mr. Robert Cokeng as Independent Director
8. Mr. Oscar Reyes as Independent Director
9. Mr. Bienvenido Laguesma as Independent Director

Mr. Lucio Co requested the Secretary to present the results of the *in-absentia* voting for this particular item in the agenda.

Atty. Santos presented the following result:

Eligibility of Mr. Cokeng and Mr. Reyes to be elected and qualified as Independent Directors	5,848,707,634 or 97%
Election of Mr. Lucio Co	5,986,277,969 or 99%
Election of Mrs. Susan Co	5,922,527,176 or 98%
Election of Mr. Leonardo Dayao	5,911,733,806 or 98%
Election of Mr. Roberto Juanchito Dispo	5,946,100,084 or 99%
Election of Mr. Levi Labra	6,021,657,954 or 100%
Election of Mr. Jaime Bautista	6,007,786,884 or 100%
Election of Mr. Robert Cokeng as ID	5,898,874,354 or 98%

Election of Mr. Oscar Reyes as ID	5,849,785,769 or 97%
Election of Mr. Bienvenido Laguesma as ID	5,952,984,284 or 99%

Mr. Lucio Co declared the following: Mr. Lucio Co, Mrs. Susan Co, Mr. Leonardo Dayao Mr. Roberto Juanchito Dispo, Mr. Levi Labra and Mr. Jaime Bautista as regular directors of Cosco Capital for the year 2021 – 2022 and Mr. Robert Cokeng, Mr. Oscar Reyes, and Mr. Bienvenido Laguesma as independent directors of Cosco Capital for the year 2021 – 2022.

E. Re-Appointment of External Auditor

Mr. Lucio Co moved to the next item on the agenda, the re-appointment of External Auditor.

He mentioned that the Audit Committee of the Company recommended that RG Manabat & Co., (KPMG), with Mr. Dindo Dioso, as the handling partner, be re-appointed as the external auditor of the Company and its subsidiaries for the year 2021 with auditors fee of up to P8 million.

A motion to re-appoint R.G. Manabat & Co. (KPMG) as the external auditor of the Company and its subsidiaries for the year ending December 31, 2021, with an audit fee of up to P8 million was made and duly seconded.

Mr. Lucio Co requested the Secretary to present the results of the *in-absentia* voting for this particular item in the agenda.

Atty. Santos presented the following result:

	Yes	No	Abstain
Re-Appointment of External Auditor	6,030,497,554	0	0

F. Other Matters

Mr. Lucio Co asked the stockholders present in the meeting if they have any questions for the Board or the management. No stockholder raised a question.

G. Adjournment

There being no other business to transact, the Chairman asked for a motion to adjourn the meeting. A motion was made and duly seconded. There being no objection, the meeting was adjourned.

Mr. Lucio Co thanked the stockholders and participants in the Annual Stockholders' Meeting.

Prepared by:

Atty. Jose S. Santos, Jr.
Corporate Secretary

Approved by:

Mr. Lucio L. Co
Chairman of the Board

Business Profile of Cosco Capital Board of Directors 2021 – 2022

***LUCIO L. CO, Filipino, 66 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, LCKK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation and VS Grial Power Corporation.

Mr. Co is holding the following positions in other Philippine listed companies: Director of Philippine Bank of Communications, Chairman of Puregold Price Club, Inc. and Chairman & President of Da Vinci Capital 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.

***SUSAN P. CO, Filipino, 63 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 is holding 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.

***LEONARDO B. DAYAO, Filipino, 77 years old,
President of the Company since 2010***

Mr. Dayao was the President of Puregold from 2005 to 2014. He was first elected on 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 is holding 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.

***LEVI LABRA, Filipino, 63 years old,
Executive Director since 2017***

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

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

***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, 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 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 Bachelor of Science major in management from the Pamantasan ng Lungsod ng Maynila in 1990 and Masters in Business Administration from the same school in 1991. He completed a Diploma Program from the International Banking and Finance, Economic Institute, University of Colorado in 1994 and Masters in Business Economics from the University of Asia and the Pacific in 2014.

He is 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 Finalist in CNBC Asia Best CEO in 2014.

***JAIME J. BAUTISTA, Filipino, 64 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 the Philippine Airlines, Inc. (PAL) from 2014 to 2019 and from 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 degree of 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.

***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, 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., 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 Masters in Business Administration program from Harvard University in 1976 and completed it with high distinction.

***OSCAR S. REYES, Filipino, 75 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 Commercial Management Study Program, Shell International, United Kingdom in 1986, Program for Management Development at Harvard Business School in 1976, and with academic units completed in 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 degree of Bachelor of Arts major in Economics in 1965 with a distinction of cum laude.

***BIENVENIDO E. LAGUESMA, Filipino, 70 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, Commissioner of 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 1978 to 1979, and Mediator-Arbiter of the Bureau of Labor Relations from 1976 to 1978.

Atty. Laguesma completed his Career Executive Development Course from the Development Academy of the Philippines from 1984 to 1985 and Public Administration Course from the Royal Institute of Public Administration in London, 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 is 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.

Minutes of Annual Stockholders' Meeting of
COSCO CAPITAL, INC.
June 25, 2021, 10 AM, via live stream

The Chairman of the Board and the Annual Stockholders' Meeting, Mr. Lucio Co, welcomed the stockholders, directors, and officers of Cosco Capital, Inc. He thanked them for attending the annual meeting.

A. Call to Order and Proof of Notice and Quorum

Mr. Co called the meeting to order. He asked the Corporate Secretary, Atty. Jose S. Santos, Jr. if there is a quorum in the annual stockholders' meeting.

Atty. Santos replied that the Company caused notices of this Annual Stockholders' Meeting to be disseminated to all stockholders of record, in accordance with the provisions of the By-Laws and the Memorandum Circular of the Securities and Exchange Commission dated March 16, 2021, entitled "Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Statement, and other documents in connection with the holding of Annual Stockholders Meeting for 2021".

Atty. Santos submitted the Notice of Meeting to the Securities and Exchange Commission and the Philippine Stock Exchange through the EDGE submission system, where the PSE approved it as a Company Announcement. Notably, the Company caused the Notice of this year's Annual Stockholders' Meeting to be:

1. Posted on the website of the Company;
2. Posted as a Company Announcement in the PSE Edge System; and
3. Published in both the physical paper and the online platform of Philippine Daily Inquirer and the Philippine Star on May 26 and 27, 2021.

He also mentioned that all the current members of the Board of Directors who are at the same time nominees for re-election, the executive officers of the Company, and the representatives from the External Auditor, R.G. Manabat & Co., were present in the meeting via zoom.

Atty. Santos certified that there was a quorum for valid transaction of business in the meeting because out of 7,196,479,564 common shares issued and outstanding of the Company, there were present in the meeting, in person, *in absentia*, and by proxy, stockholders representing a total of 6,030,497,554 common shares, or equivalent to 84% of the outstanding capital stock of the Company.

B. Approval of the Minutes and Ratification of all acts of the Board of Directors and Management

Mr. Lucio Co proceeded in the next item in the agenda, the approval of the minutes of the previous stockholders' meeting and ratification of all acts of the Board of Directors and officers of the Company since the last Annual Stockholders' Meeting held on August 18, 2020.

A motion was made to approve the minutes of the previous stockholders' meeting,

together with all acts, proceedings, contracts, or deeds performed, entered into, or executed by the Company's Board of Directors and officers, be approved, confirmed, and ratified as if such acts, proceedings, contracts, or deeds had been performed, entered into, or executed with specific and special authorization of the stockholders in a meeting duly convened and held.

The motion was duly seconded and carried out.

Mr. Lucio Co called upon the Secretary to present the votes garnered in the particular item in the agenda.

Atty. Santos presented the following result:

	Yes	No	Abstain
Approval of the Minutes and Ratification of all acts of the Board of Directors and Management	5,932,479,439	0	27,710,315

C. Approval of 2020 Annual Report and Audited Financial Statements

Mr. Lucio Co moved to the next item in the agenda, the presentation of the Annual Report and the approval of the Consolidated Audited Financial Statements of the Company as of December 31, 2020.

The Joint Chairman and President's Report to the Stockholders are attached in the Minutes.

During the reading of the said letter, the Company played a video presentation. The said video presentation is available on the Company's website.

Mr. Lucio Co asked the stockholders if they have any questions regarding the Annual Report of the Company. The Chairman heard none.

After that, a motion to approve the Annual Report and the Consolidated Audited Financial Statements of the Company were duly seconded. There being no objection, the motion was approved.

Mr. Lucio Co called upon the Secretary to present the votes garnered in the particular item in the agenda. Atty. Santos presented the following result:

	Yes	No	Abstain
Approval of 2020 Annual Report and Audited Financial Statements	5,929,770,739	0	30,419,015

D. Election of Directors

Mr. Lucio Co moved to the next item in the agenda, the election of the members of the Board of Directors for the year 2021 - 2022.

He narrated that the Corporate Governance Committee pre-screened the qualifications of all nominees and prepared a final list of all candidates for directors and that such final list of candidates was made available to all stockholders through the information statements released to the public.

Mr. Lucio Co sought approval from stockholders to confirm the eligibility 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 this year, 2021.

Mr. Lucio Co reminded the stockholders that Mr. Cokeng and Mr. Reyes had been independent directors of the Company since 2011 and that the Board of Directors decided to extend their term for another two years for the following reason:

"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."

Mr. Lucio Co endorsed the approval of the eligibility of Mr. Cokeng and Mr. Reyes, and that they are re-elected, together with the other nominees for directors in the meeting.

Atty. Santos announced the candidates for the 2021 Board of Directors:

1. Mr. Lucio Co
2. Mrs. Susan Co
3. Mr. Leonardo Dayao
4. Mr. Roberto Juanchito Dispo
5. Mr. Levi Labra
6. Mr. Jaime Bautista
7. Mr. Robert Cokeng as Independent Director
8. Mr. Oscar Reyes as Independent Director
9. Mr. Bienvenido Laguesma as Independent Director

Mr. Lucio Co requested the Secretary to present the results of the *in-absentia* voting for this particular item in the agenda.

Atty. Santos presented the following result:

Eligibility of Mr. Cokeng and Mr. Reyes to be elected and qualified as Independent Directors	5,848,707,634 or 97%
Election of Mr. Lucio Co	5,986,277,969 or 99%
Election of Mrs. Susan Co	5,922,527,176 or 98%
Election of Mr. Leonardo Dayao	5,911,733,806 or 98%
Election of Mr. Roberto Juanchito Dispo	5,946,100,084 or 99%
Election of Mr. Levi Labra	6,021,657,954 or 100%
Election of Mr. Jaime Bautista	6,007,786,884 or 100%
Election of Mr. Robert Cokeng as ID	5,898,874,354 or 98%

Election of Mr. Oscar Reyes as ID	5,849,785,769 or 97%
Election of Mr. Bienvenido Laguesma as ID	5,952,984,284 or 99%

Mr. Lucio Co declared the following: Mr. Lucio Co, Mrs. Susan Co, Mr. Leonardo Dayao Mr. Roberto Juanchito Dispo, Mr. Levi Labra and Mr. Jaime Bautista as regular directors of Cosco Capital for the year 2021 – 2022 and Mr. Robert Cokeng, Mr. Oscar Reyes, and Mr. Bienvenido Laguesma as independent directors of Cosco Capital for the year 2021 – 2022.

E. Re-Appointment of External Auditor

Mr. Lucio Co moved to the next item on the agenda, the re-appointment of External Auditor.

He mentioned that the Audit Committee of the Company recommended that RG Manabat & Co., (KPMG), with Mr. Dindo Dioso, as the handling partner, be re-appointed as the external auditor of the Company and its subsidiaries for the year 2021 with auditors fee of up to P8 million.

A motion to re-appoint R.G. Manabat & Co. (KPMG) as the external auditor of the Company and its subsidiaries for the year ending December 31, 2021, with an audit fee of up to P8 million was made and duly seconded.

Mr. Lucio Co requested the Secretary to present the results of the *in-absentia* voting for this particular item in the agenda.

Atty. Santos presented the following result:

	Yes	No	Abstain
Re-Appointment of External Auditor	6,030,497,554	0	0

F. Other Matters

Mr. Lucio Co asked the stockholders present in the meeting if they have any questions for the Board or the management. No stockholder raised a question.

G. Adjournment

There being no other business to transact, the Chairman asked for a motion to adjourn the meeting. A motion was made and duly seconded. There being no objection, the meeting was adjourned.

Mr. Lucio Co thanked the stockholders and participants in the Annual Stockholders' Meeting.

Prepared by:

Atty. Jose S. Santos, Jr.
Corporate Secretary

Approved by:

Mr. Lucio L. Co
Chairman of the Board