

SECURITIES AND EXCHANGE COMMISSION

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
Sep 30, 2021
2. SEC Identification Number
147669
3. BIR Tax Identification No.
000-432-378
4. Exact name of issuer as specified in its charter
Cosco Capital, Inc.
5. Province, country or other jurisdiction of incorporation or organization
Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
No. 900 Romualdez St., Paco, Manila
Postal Code
1007
8. Issuer's telephone number, including area code
(632) 8522-8801 to 04
9. Former name or former address, and former fiscal year, if changed since last report
None
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	7,190,421,264

11. Are any or all of registrant's securities listed on a Stock Exchange?
 Yes No
 If yes, state the name of such stock exchange and the classes of securities listed therein:
 Philippine Stock Exchange, Inc. , common shares
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 that the registrant was required to file such reports)

Yes No

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

 Yes
 No

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 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Sep 30, 2021
Currency (indicate units, if applicable)	Php (in thousand)

Balance Sheet

	Period Ended		Fiscal Year Ended (Audited)	
	Sep 30, 2021		Dec 31, 2020	
Current Assets	81,232,668		88,145,784	
Total Assets	174,150,594		178,189,826	
Current Liabilities	12,898,237		24,469,690	
Total Liabilities	57,203,149		68,410,496	
Retained Earnings/(Deficit)	63,259,759		58,915,686	
Stockholders' Equity	116,947,445		109,779,329	
Stockholders' Equity - Parent	78,496,918		74,225,347	
Book Value per Share	16.84		15.79	

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	42,194,836	41,955,382	124,388,407	129,276,384
Gross Expense	38,629,579	38,580,886	113,585,453	119,344,220
Non-Operating Income	88,336	165,061	400,171	511,929
Non-Operating Expense	661,951	505,743	2,032,294	1,553,040
Income/(Loss) Before Tax	2,991,642	3,017,372	9,170,831	8,891,052
Income Tax Expense	711,810	821,914	1,897,753	2,463,504
Net Income/(Loss) After Tax	2,279,832	2,195,457	7,273,078	6,427,549
Net Income Attributable to Parent Equity Holder	1,382,408	1,349,529	4,344,072	3,834,620

Earnings/(Loss) Per Share (Basic)	0.2	0.19	0.63	0.55
Earnings/(Loss) Per Share (Diluted)	-	-	-	-

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	1.51	1.3
Earnings/(Loss) Per Share (Diluted)	-	-

Other Relevant Information

Please see attached SEC 17Q - Third Quarterly Report of of Cosco Capital, Inc..

Filed on behalf by:

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



November 11, 2021

Securities and Exchange Commission
G/F Secretariat Bldg., PICC Complex
Roxas Blvd., Pasay City 1307

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

Philippine Stock Exchange
9th Floor, PSE Tower
28th Street corner 5th Avenue,
Bonifacio Global City, Taguig City

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

Gentlemen:

On behalf of Cosco Capital, Inc., I am submitting herewith the Company's Third Quarter Financial Report for the year 2021 (SEC 17-Q).

Sincerely yours,


Candy H. Dacanay - Datuon
Assistant Corporate Secretary

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

CANDY H. DACANAY-DATUON

(632) 8522-8801 to 04

(Company Telephone Number)

1 2 3 1

Month Day

SEC FORM 17-Q

(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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2021 3rd Quarter Report

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

1. For the quarterly period ended: September 30, 2021

2. Commission identification number: 147669

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

4. Exact name of registrant as specified in its charter:

COSCO CAPITAL, INC.
(Formerly Alcorn Gold Resources Corporation)

5. Province, country or other jurisdiction of incorporation or organization:

Republic of the Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of registrant's principal office:

2ndFloorTabacaleraBldg 2, 900 D. Romualdez Sr. St.,
Paco, Manila Postal Code: 1007

8. Registrant's telephone number, including area code:

(632) 524-9236 or 38

9. Former name, former address and former fiscal year, if changed since last report:

ALCORN GOLD RESOURCES, CORPORATION

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Class	Number of Shares of Common Stock Outstanding with P1.00 par value (Listed & Not Listed)
Common	7,405,263,564

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

Yes No

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, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 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 90 days.

Yes No

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 nine interim periods:

Performance Indicators	9M2021	9M2020
ROI	6.42%	6.11%
Profit margin	5.96%	5.06%
EBITDA to interest expense	7.13x	8.41x
Current ratio	6.30:1	5.41:1
Asset turnover	0.69:1	0.79:1
Asset to equity	1.49:1	1.54:1
Debt to equity ratio	0.49:1	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 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 September 30, 2021 and 2020.

<i>(In Thousands)</i>	9M2021	%	9M2020	%	INCREASE (DECREASE)	%
REVENUES	122,056,472	100.00%	126,969,613	100.00%	(4,913,140)	-3.87%
COST OF SALES/SERVICES	98,142,680	80.41%	105,099,224	82.78%	(6,956,545)	-6.62%
GROSS PROFIT	23,913,793	19.59%	21,870,389	17.22%	2,043,404	9.34%
OTHER OPERATING INCOME	2,331,934	1.91%	2,306,771	1.82%	25,163	1.09%
GROSS OPERATING INCOME	26,245,727	21.50%	24,177,160	19.04%	2,068,567	8.56%
OPERATING EXPENSES	15,442,773	12.65%	14,244,996	11.22%	1,197,777	8.41%
INCOME FROM OPERATIONS	10,802,954	8.85%	9,932,164	7.82%	870,790	8.77%
OTHER INCOME (CHARGES) - net	(1,632,123)	-1.34%	(1,041,111)	-0.82%	(591,012)	-56.77%
INCOME BEFORE INCOME TAX	9,170,831	7.51%	8,891,052	7.00%	279,778	3.15%
INCOME TAX EXPENSE	1,897,753	1.55%	2,463,504	1.94%	(565,751)	-22.97%
NET INCOME FOR THE PERIOD	7,273,078	5.96%	6,427,549	5.06%	845,530	13.15%
PATMI	4,344,072	3.56%	3,834,620	3.02%	509,453	13.29%
Non-controlling interests	2,929,006	2.40%	2,592,929	2.04%	336,077	12.96%
	7,273,078	5.96%	6,427,549	5.06%	845,530	13.15%
EARNINGS PER SHARE (EPS)	0.62522		0.55096			13.48%

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P122.05 Billion for the nine months ended September 30, 2021 which reflects a decrease by P4.91 Billion or representing a decline by 3.87% compared to last year's revenue of P126.97 Billion.

The revenues of the Group's business segments during the nine months 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 the nine months 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 P7.27 Billion which represents a growth of 13.15% as compared to last year's net income of P6.43 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 P4.34 Billion which increased by P509.45 million or 13.29% as compared to the 2020 PATMI amounting to P3.83 Billion.

As discussed more fully in Note 33 to the unaudited consolidated interim financial statements, the Liquor Distribution segment's reported net profit in 2020 was adjusted to reflect certain adjustment made resulting from the full implementation of PFRS 16, Leases.

Grocery Retail Segment

During the first nine-months of 2021, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P115.24 Billion or a decrease of P5.90 Billion or about 4.87% decline as compared to the segment's revenue contribution of P121.14 Billion for the same period of last year. Revenues generated in the nine months 2020 experienced a robust growth and uptick particularly in the first quarter due to consumer panic buying in preparation for the looming community lockdown restrictions due to the emerging Covid-19 pandemic which was eventually imposed by the Philippine Government on March 16, 2020.

The supermarket business continued to experience and deal with the challenges of a decline in traffic count and a negative SSSG during the nine months 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 13.57% growth consolidated net income contribution in 2021 amounting to P5.73 Billion which increased by P685.10 Million as compared to the net income contribution of P5.05 Billion in the same period in 2020.

Real Estate Segment

The commercial real estate business segment, which contributed P720.74 Million to the Group's consolidated revenue in 2021, continued to experience a decline in its rental income of 7.90% from the segment's revenue contribution during the same period last year amounting to P782.53 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 nine-months 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 2021 amounted to about P581.37 Million which decreased by about P43.15 Million or 6.91% as compared to net income in 2020 amounting to P624.52.

Liquor Distribution Segment

The liquor distribution business segment contributed about P4.92 Billion to the Group's consolidated revenue during the same period in 2021 representing an increase by P1.12 Billion or 29.50% higher as compared to the 2020 revenue contribution of P3.80 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 period. It has to be noted that revenues generated during the nine months of 2020 were affected by the impact of the government imposed lockdown starting on March 16, 2020 that lasted until August 18, 2020.

Consolidated net income contribution in 2021 amounted to about P1.10 Billion which increased by P404.93 Million or 57.42% as compared to the net income contribution in 2020 amounting to P705.15 Million.

Specialty Retail Segment

Office Warehouse, Inc. contributed about P1.18 Billion to the Group's consolidated revenue during the nine months of 2021 representing a decrease by about P75.48 Million or 6.04% lower as compared to the 2020 revenue contribution of P1.25 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 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 the nine months 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 P46.26 Million which increased by P7.22 Million or 18.50% as compared to the net income contribution in 2020 amounting to P39.04 Million.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the period ended September 30, 2021, the Grocery Retail segment posted a consolidated net sales of P115,241 million for a decrease of P5,897 million or 4.9% compared to P121,138 million in the same period of 2020. The decrease in net sales was primarily driven by a decline in customer's visits particularly for the Puregold stores, with the government still implementing health protocols 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 sales performance indicators for the period ended September 30 are as follow:

	PGOLD		S&R	
	2021	2020	2021	2020
Net Sales	-11.4%	4.5%	5.1%	6.4%
Net Ticket	12.6%	46.1%	1.9%	9.2%
Traffic	-21.3%	-28.4%	3.1%	-2.5%

Gross Profit

For the period ended September 30, 2021, the Grocery Retail segment realized an increase of 8.3% in consolidated gross profit from P19,844 million in 2020 at 16.4% margin to P21,494 million at 18.7% margin in the same period of 2021, driven by strong and continuing suppliers' support through trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income slightly increased by P28 million or 1.2% from P2,298 million in the nine months of 2020 to P2,325 million in the same period of 2021. With the lockdown restrictions starting to loosen up, some tenants were able to resume operations which resulted to increase in rent income.

Gross Operating Income

Gross operating income for the nine months of 2021 amounted to P23,820 million at a gross operating margin of 20.7% which grew by 7.6% from P22,142 million at 18.3% margin in the same period of 2020.

Operating Expenses

Operating expenses increased by P1,111 million or 8.1% from P13,645 million in the nine-month period ended September 30, 2020 to P14,756 million in the same period of 2021. This is mainly driven by the increase in operating expenses of S&R both from newly opened stores and old stores. In addition, operating expenses in 2020 were partly lower resulting from the initial lockdowns imposed in the first half of 2020.

Other Expense - net

Other expenses net of other income amounted to P1,779 million and P1,366 million for the nine-month periods ended September 30, 2021 and 2020, respectively. The increase is primarily due to interest expense on corporate notes issued by the Grocery Retail segment in the last quarter of 2020.

Net Income

For the period ended September 30, 2021, the Grocery Retail segment earned a consolidated net income of P5,735 million at 5.0% net margin or an increase of 13.6% from P5,050 million at 4.2% net margin in the same period of 2020. Despite the decline in revenues, this was principally driven by the continuous enhancements of its 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 P1.24 Billion in the nine-months period ended September 30, 2021 or a slight decline by 1.65% from the P1.26 Billion revenue generated in the same period of 2020.

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

Income from operations before depreciation decreased by P6.38 Million from P902.50 Million in 2020 to P896.11 Million for the nine-months period ended September 30, 2020.

Net income for the period amounted to P581.37 Million or a 6.91% decrease from last year's P624.52 Million brought about by decline in rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment during the nine-months period of 2021 increased to P6.64 Billion in 2021 or 32.14% higher from last year's P5.02 Billion on the back of a 35% 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 during the first nine months of 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 P1.37 Billion in 2021 or 43.25% growth from last year's P957.54 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 nine months of 2021 grew by 57.42% from P705.15 Million in 2020 to P1.11 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 P1.18 Billion in 2021 or 5.90% lower as compared to the 2020 revenue of P1.25 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 during the nine month 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 P46.27 Million which increased by P7.22 Million or 18.5% growth as compared to the net income contribution in 2020 amounting to P39.04 Million due to enhanced gross profit margins, strategic cost savings measured implemented and the effect of reduced income tax rates resulting from passage of CREATE Law.

IV. FINANCIAL CONDITION

Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group as at September 30, 2021 and December 31, 2020:

(In Thousands)	September 2021	%	December 2020	%	INCREASE (DECREASE)	%
ASSETS						
Current Assets						
Cash and cash equivalents	45,799,855	26.30%	48,867,746	27.42%	(3,067,891)	-6.28%
Receivables - net	3,677,583	2.11%	10,308,181	5.78%	(6,630,598)	-64.32%
Financial asset at FVOCI	8,365	0.00%	8,365	0.00%	-	0.00%
Financial asset at FVPL	28,794	0.02%	2,411,375	1.35%	(2,382,581)	-98.81%
Inventories	28,967,529	16.63%	24,914,272	13.98%	4,053,257	16.27%
Due from related parties	185,165	0.11%	184,852	0.10%	314	0.17%
Prepayments and other current assets	2,565,376	1.47%	1,450,993	0.81%	1,114,383	76.80%
TOTAL CURRENT ASSETS	81,232,668	46.65%	88,145,784	49.47%	(6,913,116)	-7.84%
Noncurrent Assets						
Property and equipment - net	29,489,864	16.93%	28,683,979	16.10%	805,885	2.81%
Right-of-use assets	24,083,730	13.83%	24,270,253	13.62%	(186,523)	-0.77%
Investment properties - net	11,400,563	6.55%	11,145,393	6.25%	255,170	2.29%
Intangibles and goodwill - net	21,059,030	12.09%	21,074,976	11.83%	(15,946)	-0.08%
Investments	716,539	0.41%	729,909	0.41%	(13,370)	-1.83%
Deferred oil and mineral exploration costs	-	0.00%	-	0.00%	6,029	#DIV/0!
Deferred tax assets-net	1,068,187	0.61%	902,719	0.51%	165,468	18.33%
Other non-current assets	5,093,983	2.93%	3,236,813	1.82%	1,857,170	57.38%
TOTAL NONCURRENT ASSETS	92,917,926	53.35%	90,044,042	50.53%	2,873,884	3.19%
TOTAL ASSETS	174,150,594	100.00%	178,189,826	100.00%	(4,039,232)	-2.27%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	9,893,771	5.68%	16,667,022	9.35%	(6,773,251)	-40.64%
Income tax payable	683,059	0.39%	1,534,051	0.86%	(850,993)	-55.47%
Short-term loans payable	48,000	0.03%	42,000	0.02%	6,000	14.29%
Current portion of long-term borrowing	-	0.00%	3,766,957	2.11%	(3,766,957)	-100.00%
Lease liability	967,428	0.56%	1,035,180	0.58%	(67,753)	-6.55%
Due to related parties	748,564	0.43%	762,031	0.43%	(13,467)	-1.77%
Other current liabilities	557,416	0.32%	662,449	0.37%	(105,032)	-15.86%
TOTAL CURRENT LIABILITIES	12,898,237	7.41%	24,469,690	13.73%	(11,571,453)	-47.29%
Noncurrent Liabilities						
Retirement benefit liability	1,429,589	0.82%	1,431,760	0.80%	(2,171)	-0.15%
Lease liability-net of current portion	29,978,116	17.21%	29,149,190	16.36%	828,926	2.84%
Deferred tax liabilities	151,419	0.09%	144,588	0.08%	6,831	4.72%
Long term loans payable - net of debt issue cost	12,226,201	7.02%	12,802,743	7.18%	(576,542)	-4.50%
Other non-current liabilities	519,587	0.30%	412,525	0.23%	107,062	25.95%
TOTAL NONCURRENT LIABILITIES	44,304,913	25.44%	43,940,807	24.66%	364,106	0.83%
TOTAL LIABILITIES	57,203,149	32.85%	68,410,496	38.39%	(11,207,347)	-16.38%
EQUITY						
Capital stock	7,405,264	4.25%	7,405,264	4.16%	-	-
Additional paid-in capital	9,634,644	5.53%	9,634,644	5.41%	-	-
Remeasurement of retirement liability - net of tax	(83,147)	-0.05%	(82,145)	-0.05%	(1,002)	1.22%
Reserve for fluctuations in value of financial assets at FVOC	4,759	0.00%	4,759	0.00%	-	-
Treasury shares	(1,724,361)	-0.99%	(1,652,861)	-0.93%	(71,500)	4.33%
Retained earnings	63,259,759	36.32%	58,915,686	33.06%	4,344,072	7.37%
Total Equity Attributable to Equity Holders of Parent Company	78,496,918	45.07%	74,225,347	41.66%	4,271,571	5.75%
Non-controlling interest	38,450,527	22.08%	35,553,982	19.95%	2,896,544	8.15%
TOTAL EQUITY	116,947,445	67.15%	109,779,329	61.61%	7,168,115	6.53%
TOTAL LIABILITIES AND EQUITY	174,150,594	100.00%	178,189,826	100.00%	(4,039,232)	-2.27%

Current Assets

Cash and cash equivalents amounted to P45.80 Billion as at September 30, 2021 with a decrease of P3.07 Billion or 6.28% from December 31, 2020 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, payment of 2020 cash dividends, settlement of maturing loans and payments for capital expenditures during the period.

Receivables decreased by 64.32% from December 31, 2020 balance of P10.31 Billion to this year's balance of P3.68 Billion due mainly to the net effect of collections made on trade receivables and advances granted in 2020.

Financial assets at fair value through profit or loss (FVPL) decreased by 98.81% from December 31, 2020 balance of P2.41 Billion to this period's balance of P28.79 Million due mainly to disposal of investments in government securities during the period by Grocery Retail segment.

Inventories increased by 16.27% from 2020 balance of P24.91 Billion to this period's balance of P28.97 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 P24.53 Billion.

Prepaid expenses and other current assets increased by P1.11 Billion at the end of September 2021, 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.

Due from related parties amounted to P185.16 million as at September 30, 2021.

Non-current Assets

As at September 30, 2021 and December 31, 2020, total non-current assets amounted to P92.92 Billion or 53.35% of total assets, and P90.04 Billion or 50.53% of total assets, respectively, for an increase of P2.87 Billion or 3.19%.

Property and equipment-net pertains principally to the buildings and equipment owned by the Grocery Retail segment. Book values of property and equipment increased by P805.88 Million from P28.68 Billion in December 2020 to P29.49 Billion in June 2021 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU decreased by P186.52 Million from P24.27 Billion in December 2020 to P24.08 Billion in September 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 period.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P255.17 Million from P11.14 Billion in December 2020 to P11.40 Billion in September 30 2021 due to additional properties acquired.

Investments increased by P13.37 Million from P729.91 Million in December 2020 to P716.54 Million in September 2021 due to share in net losses of associate.

Intangibles and goodwill-net decreased by P15.94 Million from P21.07 Billion in December 2020 to P21.06 Billion in September 2021 primarily due to net effect of addition and the amortizations of computer software cost.

Deferred tax assets increased by P165.47 Million or 18.33% from P902.72 Million in December 2020 to P1.07 Billion in September 2021 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 P1.86 Billion from P3.23 Billion in December 2020 to P5.10 Billion in September 2021. About 50% 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 September 30, 2021 and December 31, 2020, total current liabilities amounted to P12.90 Billion and P24.47 Billion respectively, for a decrease of P11.57 Billion or 47.27%.

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 decrease by P6.77 Billion or 40.64% was primarily due to the settlements of trade and non-trade payables and cash dividends declared 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 decreased by P850.99 Million from P1.53 Billion as at December 2020 to P683.06 Million as at September 30, 2021 is mainly due to settlement of income taxes pertaining to 2020 and during the first half in 2021.

Short-term loans payable account increased by P6.0 Million mainly due to avilment Real Estate segment net of settlements made by the Liquor Distribution segment.

Current portion of long-term borrowing decreased by P3.77 Billion as at September 30, 2021 due to settlement of the maturing 7-year corporate notes payable by the Parent Company in May 2021.

Lease liabilities due within one year account decreased by P67.75 Million from P1.03 Billion in December 2020 to P967.43 Million in September 2021 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 P13.48 Million mainly due to the settlements made.

Other current liabilities decreased by 15.86% from P662.45 Million as at December 31, 2020 to P557.42 Million as at September 30, 2021 relatively due to settlement of output VAT, application of deposits from tenants and gift certificates during the year by the Grocery Retail and Real Estate segments.

Noncurrent Liabilities

As at September 30, 2021 and December 31, 2020, total non-current liabilities amounted to P44.30 Billion and P43.94 Billion, respectively, for an increase of P364.11 Million or 0.83%.

Long-term loans payable-net of current portion decreased by P576.54 million or 4.50% due to settlements made by Grocery Retail segment and Parent Company.

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 increased by P882.93 Million from P29.15 Billion in December 2020 to P29.98 Billion in September 2021 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 P107.06 Million or 25.95% from P412.52 Million in December 2020 to P519.59 Million as at September 30, 2021 due to recognition of customer deposits and advance rentals by the Real Estate segment.

Equity

As at September 30, 2021 and December 31, 2020, total equity amounted to P116.95 Billion and P109.78 Billion, respectively, for an increase of P7.17 Billion or 6.53%.

Treasury shares increased by P71.50 million from P1.65 Billion in December 2020 to P1.72 Billion as at September 30, 2021 due to additional buyback by the Parent Company and Grocery Retail segment during the quarter to the existing share buyback program.

Retained earnings increased by P4.34 Billion or 7.37% from P58.91 Billion in December 2020 to P63.26 Billion as at September 30 2021 due to profit realized by the Group.

Non-controlling interest increased by P2.90 Billion or 8.15% from P35.55 Billion in December 2020 to P38.45 Billion as at September 30, 2021 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 six-month period ended</u> <u>September 30</u>			
Net cash from (used in) operating activities	P	2,647,738	P	P4,126,480
Net cash from (used in) investing activities		1,695,540		(4,545,106)
Net cash used in financing activities		(7,384,237)		7,674,327
Net decrease in cash and cash equivalents	P	(3,067,891)	P	P7,255,701

Net cash from operating activities during the current period are basically attributable to the net effect of the net income for the period, collection of trade receivables and 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 cash from 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 and the proceeds from sale of investment in government securities by the Grocery Retail segment and the collection of loans receivable.

Net cash used in financing activities principally resulted from the effect of settlements of bank loans by the Grocery Retail and Liquor Distribution segments and the 7-year fixed rate corporate notes by the Parent Company during the period, payment of 2020 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 business plans and programs 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.

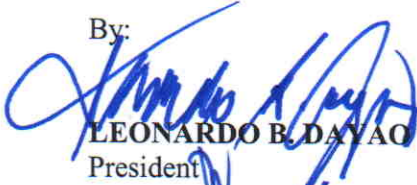
SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this Third Quarter Financial Statement of Cosco Capital, Inc. and its subsidiaries for the year 2021 to be signed on its behalf by the undersigned thereunto duly authorized.


November 11, 2021 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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For the Periods Ended September 30, 2021 and 2020

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COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021 and December 31, 2020

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

September 30 and December 31

	<i>Note</i>	2021 (Unaudited)	2020 (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	P45,799,855	P48,867,746
Receivables - net	5	3,677,583	10,308,181
Inventories	6, 20	28,967,529	24,914,272
Financial assets at fair value through profit or loss	7	28,794	2,411,375
Financial assets at fair value through other comprehensive income	8	8,365	8,365
Due from related parties	25	185,165	184,852
Prepaid expenses and other current assets	9	2,565,376	1,450,993
Total Current Assets		81,232,668	88,145,784
Noncurrent Assets			
Investments in associates and joint ventures	10	716,539	729,910
Right of use of assets - net	21	24,083,730	24,270,253
Property and equipment - net	11	29,489,864	28,683,979
Investment properties - net	12	11,400,563	11,145,393
Goodwill and other intangibles - net	13	21,059,030	21,074,975
Deferred tax assets - net	27	1,068,187	902,719
Deferred oil and mineral exploration costs - net	14	-	-
Other noncurrent assets	15	5,100,013	3,236,811
Total Noncurrent Assets		92,917,926	90,044,040
		P174,150,594	P178,189,824

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable and accrued expenses	16	P9,893,771	P16,667,022
Income tax payable		683,059	1,534,051
Lease liabilities due within one year	21, 25	967,428	1,035,180
Short-term loans	17	48,000	42,000
Current maturities of long-term loans due within one year	17	-	3,766,957
Due to related parties	25	748,564	762,031
Other current liabilities	18	557,416	662,449
Total Current Liabilities		12,898,237	24,469,690

Forward

September 30 and December 31

	Note	2021 (Unaudited)	2020 (Unaudited)
Noncurrent Liabilities			
Long-term loans	17	P12,226,201	P12,802,743
Lease liabilities	21, 25	29,978,116	29,149,190
Retirement benefits liability	26	1,429,589	1,431,760
Deferred tax liabilities - net	27	151,419	144,588
Other noncurrent liabilities	21	519,587	412,525
Total Noncurrent Liabilities		44,304,913	43,940,806
Total Liabilities		57,203,149	68,410,496
Equity			
Capital stock	28	7,405,264	7,405,264
Additional paid-in capital	28	9,634,644	9,634,644
Treasury stock	28	(1,724,361)	(1,652,861)
Retirement benefits reserve	26	(83,147)	(82,145)
Other reserve	8	4,759	4,758
Retained earnings		63,259,759	58,915,686
Total Equity Attributable to Equity Holders of the Parent Company		78,496,918	74,225,346
Noncontrolling Interests	28	38,450,527	35,553,982
Total Equity		116,947,445	109,779,328
		P174,150,594	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)

Periods Ended September 30			
	<i>Note</i>	2021 (Unaudited)	2020 (Unaudited)
REVENUES			
Net sales	19, 29	P121,335,730	P126,187,082
Rent		720,743	782,531
		122,056,472	126,969,613
COST OF REVENUES			
Cost of goods sold	20	97,721,876	104,672,018
Cost of rent		420,804	427,206
		98,142,680	105,099,224
GROSS INCOME			
		23,913,793	21,870,388
OTHER REVENUE	19, 22	2,331,934	2,306,771
TOTAL GROSS INCOME AND OTHER REVENUE			
		26,245,727	24,177,159
OPERATING EXPENSES			
	23	15,442,773	14,244,996
INCOME FROM OPERATIONS			
		10,802,954	9,932,163
OTHER INCOME (CHARGES)			
Interest expense	17, 21	(2,006,017)	(1,553,040)
Interest income	4, 25	400,171	494,465
Others - net	24	(26,277)	17,464
		(1,632,123)	(1,041,111)
INCOME BEFORE INCOME TAX			
		9,170,831	8,891,052
PROVISION FOR INCOME TAXES	27	1,897,753	2,463,504
NET INCOME			
		P7,273,078	P6,427,548
Net income attributable to:			
Equity holders of the Parent Company		P4,344,072	P3,834,620
Noncontrolling interests	28	2,929,006	2,592,929
		P7,273,078	P6,427,548
Basic/diluted earnings per share attributable to equity holders of the Parent Company			
	30	P0.6252	P0.5509

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 September 30	
	<i>Note</i>	2021 (Unaudited)	2020 (Unaudited)
NET INCOME		P7,273,078	P6,427,549
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will never be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefits		-	-
Unrealized gain (loss) on financial assets	8	-	-
Income tax effect		-	-
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		P7,273,078	P6,427,549
Total comprehensive income attributable to:			
Equity holders of the Parent Company		P4,344,072	P3,834,620
Non-controlling interests	28	2,929,006	2,592,929
		P7,273,078	P6,427,548

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Quarter Ended September 30

	2021 (UNAUDITED)	2020 (UNAUDITED)
REVENUE	41,430,011	41,265,088
COST OF SALES AND SERVICES	33,353,568	34,012,514
GROSS PROFIT	8,076,443	7,252,574
OTHER OPERATING INCOME	764,825	690,295
	8,841,268	7,942,869
OPERATING EXPENSES	5,276,011	4,568,372
INCOME FROM OPERATIONS	3,565,257	3,374,496
OTHER INCOME (EXPENSES)	(573,615)	(357,125)
INCOME BEFORE INCOME TAX	2,991,642	3,017,372
INCOME TAX EXPENSE	711,810	821,914
NET INCOME FOR THE QUARTER	2,279,832	2,195,457
Net income attributable to:		
Equity holders of the Parent Company	1,382,408	1,349,529
Non-controlling interests	897,424	845,929
	2,279,832	2,195,457
Basic/Diluted earnings per share attributable to equity holders of the Parent Company	0.19896	0.19390

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, 2019	P7,405,264	P9,634,644	(P1,403,974)	P5,412	P5,602	P54,167,212	P69,814,160	P32,246,624	P102,060,784
Total comprehensive income for the period	-	-	-	-	-	3,834,619	3,834,619	2,592,929	6,427,549
Net income for the period	-	-	-	-	-	3,834,619	3,834,619	2,592,929	6,427,549
Acquisition of treasury shares	-	-	(248,887)	-	-	-	(248,887)	-	(248,887)
Balance at September 30, 2020	P7,405,264	P9,634,644	(P1,652,861)	P5,412	P5,602	P58,001,832	P73,399,894	P34,839,553	P108,239,447
Balance at December 31, 2020	P7,405,264	P9,634,644	(P1,652,861)	(P82,145)	P4,759	P58,915,686	P74,225,347	P35,554,275	P109,779,622
Total comprehensive income for the period	-	-	-	-	-	4,344,072	4,344,072	2,929,006	7,273,078
Net income for the period	-	-	-	-	-	4,344,072	4,344,072	2,929,006	7,273,078
Other comprehensive income	-	-	-	(1,002)	-	-	(1,002)	-	(1,002)
	-	-	-	(1,002)	-	4,344,072	4,343,070	2,929,006	7,272,077
Acquisition of treasury shares	-	-	(71,500)	-	-	-	(P71,500)	-	(71,500)
Balance at September 30, 2021	P7,405,264	P9,634,644	(P1,724,361)	(P83,147)	P4,759	P63,259,759	P78,496,918	P38,450,527	P116,947,445

See Notes to the Consolidated Financial Statements.

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

		Periods Ended September 30	
		2021	2020
		(Unaudited)	(Unaudited)
Note			
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P9,170,831	P8,891,053
Adjustments for:			
Depreciation and amortization		3,488,801	3,097,049
Interest expense		2,006,017	1,553,040
Interest income		(400,171)	(494,465)
Loss from pre-terminated lease contracts		3,524	-
Retirement benefit cost		513	958
Unrealized foreign exchange loss (gain)		13,466	(3,818)
Share in losses of joint ventures and associate		13,370	11,730
Unrealized loss (gain) on financial assets at FVPL		(1,281)	11,747
Loss from sale of marketable securities		5,292	-
Gain on disposal of property and equipment		(784)	(610)
Dividend income		(983)	(652)
Gain on insurance claims		(4,791)	(513)
Operating income before changes in working capital		14,293,804	13,065,137
Decrease (increase) in:			
Receivables		1,106,055	(394,891)
Inventories		(4,053,257)	(2,716,252)
Prepaid expenses and other current assets		(1,351,868)	(329,210)
Due from related parties		(314)	16
Increase (decrease) in:			
Accounts payable and accrued expenses		(5,042,835)	(2,558,725)
Due to related parties		(13,468)	(661,190)
Other current liabilities		(105,032)	(53,989)
Other noncurrent liabilities		107,062	118,070
Cash generated from operations		4,940,147	6,468,964
Interest received		400,171	494,465
Income tax paid		(2,703,361)	(2,838,193)
Retirement benefits paid		(2,684)	(2,956)
Net cash from provided by operating activities		P2,634,273	P4,122,280

Forward

Periods Ended September 30

	<i>Note</i>	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	11	(P2,812,467)	(P1,659,006)
Investment properties	12	(348,823)	(9,824)
Intangibles	13	(18,561)	(14,863)
Right-of-use assets		(1,184,123)	(382,104)
Proceeds from:			
Disposal of property and equipment		13,826	3,402
Sale of investment in marketable securities		2,378,570	-
Insurance claims	24	4,791	513
Increase in other noncurrent assets		(1,863,199)	(2,485,674)
Effect of business combination		-	1,798
Dividends received	25	983	652
Loans receivable collected during the year	25	5,524,543	-
Net cash used in investing activities		1,695,540	(4,545,105)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of:			
Short-term loans		48,000	97,000
Long-term loans		-	12,000,000
Interest expense		(558,805)	(244,586)
Repayments of lease:			
Principal amount		(692,995)	(1,445,078)
Cash dividends paid		(1,730,396)	(1,356,031)
Payments of:			
Short-term loans	17	(576,542)	(678,124)
Long-term loans		(3,802,000)	(449,967)
Buyback of capital stocks	28	(71,500)	(248,887)
Net cash used in financing activities		(7,384,238)	7,674,327
EFFECT OF EXCHANGE RATE CHANGES ON CASH		(13,466)	4,200
NET INCREASE IN CASH AND CASH EQUIVALENTS		(3,067,891)	7,255,701
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		48,867,746	24,402,014
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P45,799,855	P31,657,715

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			
	2021		2020	
	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)	98	-	-	-
Montosco, Inc.	-	100	100	-
Meritus Prime Distributions, Inc.	-	100	100	-
Premier Wine and Spirits, Inc.	-	100	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) 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 November 9, 2021.

Historical cost is used as the measurement basis except for:

Items	Measurement Bases
Financial assets at FVPL	Fair value
Financial assets at FVOCI (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 P720.74 million and P782.53 million in 2021 and 2020, respectively.

Estimates

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

Estimating Allowance for Impairment Losses on Receivables (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 September 30, 2021 and December 31, 2020, the carrying amount of receivables amounted to P3.67 billion and P10.3 billion, respectively, while the allowance for impairment losses amounted to P113.6 million.

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 P28.97 billion and P24.9 billion as at September 30, 2021 and December 31, 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 September 30, 2021 and December 31, 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 September 30, 2021 and December 31, 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 September 30, 2021 and December 31, 2020, the following are the carrying amounts of nonfinancial assets:

	Note	2021	2020
Property and equipment - net	11	P29,489,864	P28,683,979
Right-of-use assets - net	21	24,083,730	24,270,253
Investment properties - net	12	11,400,563	11,145,393
Investments in joint venture and associate	10	716,539	729,910
Computer software and licenses, and leasehold rights	13	206,389	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 September 30, 2021 and December 31, 2020, the Group recognized net deferred tax assets amounting to P 1,068.18 million and P902.72 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 P1.4 billion as at September 30, 2021 and December 31, 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, 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 outs 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 June 30, 2021 and December 31, 2020, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

The Group’s investments in 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>	2021	2020
Cash on hand		P393,048	P782,702
Cash in banks	31	16,731,234	23,942,183
Money market placements	31	28,675,573	24,142,861
		P45,799,855	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 1.0% to 1.60% in 2021 and 1.0% to 3.40% in 2020.

Interest income earned from cash in banks and money market placements amounted to P400.17 million and P494.46 million in 2021 and 2020, respectively.

5. Receivables

This account consists of:

<i>(In thousands)</i>	<i>Note</i>	2021	2020
Loans receivable	25	P -	P5,524,543
Trade receivables		2,023,993	3,020,514
Non-trade receivables		1,095,892	1,187,140
Interest receivable	25	614,448	579,281
Others		56,886	110,339
		3,791,219	10,421,817
Less allowance for impairment losses on trade receivables		113,636	113,636
	31, 32	P3,677,583	P10,308,181

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>	2021	2020
Beginning balance	P113,636	P48,947
Provisions during the year	-	64,689
Ending balance	P113,636	P113,636

6. Inventories

This account consists of:

<i>(In thousands)</i>	<i>Note</i>	2021	2020
At cost:			
Merchandise inventories		P24,855,375	P21,254,936
Liquors, wines and spirits		4,112,154	3,659,336
	20	P28,967,529	P24,914,272

Inventory charged to cost of goods sold amounted to P97.72 billion and P104.68 billion in 2021 and 2020, respectively (see Note 20).

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Note	2021	2020
Held-for-trading:	31		
Government securities		P -	P2,383,862
Equity securities		28,285	27,513
		P28,285	P2,411,375

The movements in these securities are as follows:

<i>(In thousands)</i>	Note	2021	2020
Cost		2,399,217	P15,356
Addition		-	7,883,861
Disposal		(2,378,570)	(5,500,000)
		15,356	2,399,217
Valuation Adjustments			
Balance at beginning of year		12,158	19,565
Unrealized valuation loss for the year		1,280	(7,407)
Balance at end of year		13,438	12,158
	31	P28,794	P2,411,375

In 2021 and 2020, the Group recognized (loss) gain from sale of government securities amounting to P5.29 million and P36.2 million, respectively, while interest income earned from government securities amounted to P2.5 million.

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

<i>(In thousands)</i>	Note	2021	2020
Investments in common shares			
Quoted	31, 32	P7,294	P7,294
Unquoted	31, 32	2,304	2,304
		9,598	9,598
Investments in preferred shares	31, 32	7,262	7,262
		16,860	16,860
Less current portion		8,365	8,365
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>	2021	2020
Balance at beginning of year	P16,860	P17,704
Unrealized fair value gains (losses)	-	(844)
Balance at end of year	P16,860	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	-	(844)
Balance at end of year	P4,758	P4,758

9. Prepaid Expenses and Other Current Assets

This account consists of:

<i>(In thousands)</i>	2021	2020
Prepaid expenses	P1,630,849	P910,430
Deferred input VAT - current	2,936	351,608
Input VAT	678,640	107,686
Advances to suppliers	203,547	72,688
Creditable withholding tax	20,882	5,931
Others	28,522	2,650
	P2,565,376	P1,450,993

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>	2021	2020
Taxes and licenses	P1,348,640	P745,665
Insurance	126,503	86,507
Supplies	23,927	33,740
Advertising and promotion	97,635	11,096
Repairs and maintenance	3,434	3,753
Rent	1,297	102
Others	29,413	29,567
	P1,630,849	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. Investments in Associates and Joint venture

This account consists of:

<i>(In thousands)</i>	2021	2020
Associates	P541,143	P554,514
Joint venture	175,396	175,396
	P716,539	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	79,990	93,361
			541,144	554,514
Joint venture:				
AyaGold Retailers, Inc. ("AyaGold")	50	50	175,396	175,396
			P716,539	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.

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	-	-
Share in net income (loss)	-	9,520	(13,370)	(24,833)
Balance at end of year	P461,153	P461,153	(P13,370)	P93,360

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	P4,892,032	P4,892,032	P592,719	P592,719
Noncurrent assets	811,536	811,536	186,311	186,311
Current liabilities	(871,930)	(871,930)	(480,426)	(480,426)
Noncurrent liabilities	(4,456,496)	(4,456,496)	(32,305)	(32,305)
Net assets	375,142	375,142	266,299	266,299
Group's share in net assets	185,095	185,095	79,890	79,890
Goodwill	276,058	276,058	13,470	13,470
Carrying amount of interest in associates	P461,153	P461,153	P93,360	P93,360
Net sales	P -	P5,854,702	P -	P585,611
Net income (loss)	-	19,295	-	(82,776)
Group's share in net income	P -	P9,520	(P13,370)	(P24,833)

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>	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	P295,592	P295,592
Noncurrent assets	455,987	455,987
Total liabilities	(398,688)	(398,688)
Net assets	352,891	352,891
Group's share in net assets	176,446	176,446
Adjustments	-	-
Carrying amount of interest in joint venture	P175,396*	P175,396*
Net sales	P -	P697,594
Net income	-	2,100
Group's share in net income	P -	P1,050**

*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 September 30 and December 31 consist of:

<i>(In thousands)</i>	Land	Buildings	Storage Tanks	Furniture and Fixtures	Office and Store Equipment	Transportatio n 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	365,436	104,970	2,770	152,503	605,910	19,467	606,885	-	954,526	2,812,467
Reclassifications	-	71,304	-	28,048	378,832	(5,734)	1,147,324	-	(1,625,530)	(5,756)
Disposals	(684)	(8,051)	-	(3,006)	(29,781)	(2,068)	(6,873)	-	-	(50,463)
September 30, 2021	4,832,265	10,214,211	516,654	3,779,042	11,939,472	306,541	16,043,672	204,955	668,577	48,505,389
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
Allowance for impairment loss	-	-	-	-	-	-	-	160,037	-	160,037
Depreciation and amortization	-	219,784	9,951	214,140	844,465	20,049	685,131w	-	-	1,993,520
Disposals	-	(1,879)	-	(2,894)	(29,085)	(2,068)	(1,497)	-	-	(37,423)
Reclassifications	-	5,249	-	(737)	56	(5,734)	(4,568)	-	-	(5,734)
September 30, 2021	-	3,008,205	88,780	2,309,007	8,765,986	251,878	4,386,714	204,955	-	19,015,525
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
September 30, 2021	P4,832,265	P7,206,006	P427,874	P1,470,035	P3,173,486	P54,663	P11,656,958	P -	P668,577	P29,489,864

Interest expense on loans capitalized as part of property and equipment amounted to P11.1 million and P2.90 million in 2021 and 2020, 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 P5.7 billion and P3.9 billion as at December 31, 2020 and 2019, 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	216,981	42,112	89,872	348,965
Reclassifications	-	-	(143)	(143)
September 30, 2021	6,777,625	5,817,511	208,589	12,803,725
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	-	93,652	-	93,652
September 30, 2021	-	1,403,162	-	1,403,162
Carrying Amounts				
December 31, 2020	P6,560,644	P4,465,889	P118,860	P11,145,393
September 30, 2021	P6,777,625	P4,414,349	P208,589	P11,400,563

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 September 30, 2021 and December 31, 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 P720.74 million and P782.53 million in 2021 and 2020, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P420.81 million and P427.21 million in 2021 and 2020, 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	161,870	174,989
Leasehold rights - net	44,520	47,346
	P21,059,030	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>	2020	2019
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)	
	2020	2019	2020	2019
Kareila	5.94%	11.00%	2.60%	2.90%
Budgetlane Supermarkets	6.95%	11.00%	2.60%	2.90%
Gant	7.29%	10.90%	2.60%	2.90%
DCI and FLSTCI	7.06%	10.60%	2.60%	2.90%
OWI	8.00%	10.90%	2.60%	2.90%
NPSCC	5.10%	12.20%	2.60%	2.90%

As at December 31, 2020, 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	18,561	28,678
Balance at September 30 and December 31	472,373	453,812
Accumulated Amortization		
Balance at January 1	278,823	239,172
Amortization	31,681	39,651
Balance at September 30 and December 31	310,504	278,823
Carrying Amount at September 30 and December 31	P161,869	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	2,826	3,768
Balance at September 30 and December 31	30,835	28,009
Carrying Amount at September 30 and December 31	P44,520	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.

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

<i>(In thousands)</i>	Note	Participating Interest	2021	2020
I. Oil exploration costs:				
SC 14	a			
Block C2 (West Linapacan)		6.12%	P55,753	P55,753
Block D		5.84%	8,113	8,113
Block B1 (North Matinloc)		13.55%	4,192	4,192
			68,058	68,058
SC 6A	b	1.67%		
Octon Block			17,415	17,415
North Block			627	627
SC 6B (Bonita)	d	8.18%	8,027	8,027
			26,069	26,069
SC 51	c		32,817	32,817
Other oil projects			527	527
			33,344	33,344
			127,471	127,471
Allowance for impairment loss			(127,471)	(127,471)
Balance at end of year			-	-
II. Mineral exploration costs:				
Nickel project	e, f	100.00%	P19,208	P19,208
Anoling gold project	g	3.00%	13,817	13,817
Gold projects	h	100.00%	13,036	13,036
Cement project	i	100.00%	9,603	9,603
Other mineral projects	j, k		382	382
			56,046	56,046
Accumulated for impairment losses			(56,046)	(56,046)

Balance at end of period/year	-	-
I. Other deferred charges	619	619
Allowance for impairment loss	(619)	(619)
Balance at period/year end	-	-
	P -	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 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 2020 and 2019, additional deferred charges amounting to nil and P0.1 million were capitalized.

The Seismic Inversion and Reservoir Characterization project in the north block of SC 6A was completed in mid-December 2020. The stochastic inversion, used to characterize the thinly bedded sands of the GCU, generated promising results and highlighted potential areas of 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 December 31, 2020 and 2019, 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 2013, the project was considered delinquent and may soon be cancelled by the regional mining office.

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

On May 20, 2020, 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, 2020 and 2019, the Group paid occupation fee amounting to P0.17 million and P0.13 million respectively.

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 P5.09 billion and P3.23 billion as at September 30, 2021 and December 31, 2020, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

<i>(In thousands)</i>	<i>Note</i>	2021	2020
Trade payables		P5,550,302	P9,908,286
Non-trade payables		2,217,420	1,973,851
Dividends payable	28	50,000	2,180,396
Due to government agencies		478,394	732,779
Retention payable		5,102	231,027
Construction bonds		20,967	23,048
Advance rentals		12,319	16,824
Accrued expenses			
Manpower agency services		768,941	1,043,534
Utilities		320,966	243,262
Rent		64,880	86,118
Others		404,479	227,897
		P9,893,771	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 September 30, 2021 and December 31, 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	(42,000)	(829,124)
Availments	48,000	-
Balance at end of year	P48,000	P42,000

The balances of peso-denominated short-term loans of each segment as at September 30 and December 31 follow *(in thousands)*:

Segment	Purpose(s)	Interests	2021	2020
Liquor distribution	- Inventory financing	3.57% to 5.63%	P -	P42,000
Real estate	- Capital expenditure	3.0%	48,000	-
			P48,000	P42,000

b. Long-term Loans

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

(In thousands)	<i>Note</i>	2021	2020
Cosco:			
Fixed-rate peso-denominated loan of 5.267%	<i>a</i>	P -	P3,760,000
Fixed-rate peso-denominated loan of 5.579%	<i>a</i>	465,000	940,000
PPCI:			
Fixed-rate peso-denominated notes of 4.513%	<i>b</i>	11,880,000	12,000,000
		12,345,000	16,700,000
Unamortized debt issuance costs		(118,799)	(130,300)
		P12,226,201	P16,569,700

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.

As of December 31, 2020 and 2019, Cosco is compliant with the loan covenants.

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 P551.85 million and P245.37 million in 2021 and 2020, respectively.

Interest expense on loans capitalized as part of property and equipment amounted to P11.1 million and nil million in 2021 and 2020, 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	(11,501)	(10,438)
Balance at end of the period/year	P118,799	P130,300

18. Other Current Liabilities

This account as at September 30 and December 31 consists of:

<i>(In thousands)</i>	Note	2021	2020
Customers' deposits	21, 31, 32	P302,349	P365,754
Unredeemed gift certificates		194,755	210,388
Output VAT		32,142	63,874
Promotional discount		9,780	9,152
Others	31, 32	18,390	13,281
		P557,416	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.

19. Revenues

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

<i>(In thousands)</i>	2021	2020
Revenue from Contracts with Customers		
(PFRS 15)		
<i>Revenues</i>		
Grocery	P115,241,028	P121,137,648
Wine and liquor	4,919,538	3,798,790
Office and technology supplies	1,175,163	1,250,645
	121,335,729	126,187,083
<i>Other revenue</i>		
Concession fee income	1,515,449	1,509,677
Membership income	423,711	441,833
Miscellaneous	144,772	120,319
	2,083,932	2,071,829
Lease revenue (PFRS 16)		
<i>Revenues</i>		
Real estate and property leasing	720,743	782,531
<i>Other revenue</i>		
Retail (<i>Other revenue</i>)	248,003	234,942
	968,746	1,017,473
	P124,388,407	P129,276,384

20. Cost of Revenues

Cost of goods sold consists of:

<i>(In thousands)</i>	2021	2020
Beginning inventory	P24,918,237	P26,515,696
Purchases	101,771,168	105,594,845
Total goods available for sale	126,689,405	132,110,541
Ending inventory	28,967,529	27,438,522
	P97,721,876	P104,672,018

Cost of rent consists of:

<i>(In thousands)</i>	2021	2020
Depreciation	P184,717	P168,158
Taxes and licenses	59,897	73,453
Security services	58,297	54,885
Repairs and maintenance	36,525	35,158
Janitorial services	32,929	34,505
Management fees	25,939	15,611
Insurance	13,887	14,660
Rentals	2,898	25,639
Utilities	1,855	2,426
Others	3,860	2,711
	P420,804	P427,206

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	1,184,123	2,942,307
Modifications	-	1,365,084
Terminations	-	(143,525)
End of lease term	(3,524)	(127,726)
Balance at September 30 and December 31	34,688,979	33,508,380
Accumulated Depreciation		
Balance, January 1	9,238,127	7,772,137
Depreciation	1,367,122	1,691,442
Terminations	-	(97,726)
End of lease term	-	(127,726)
Balance at September 30 and December 31	10,605,249	9,238,127
Carrying amount at September 30 and December 31	P24,083,730	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	P982,227	P1,035,180
Due beyond one year	29,168,610	29,149,190
	P30,150,837	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	-	2,693,706
Accretion of interest	1,454,169	1,758,234
Repayments	(692,995)	(2,299,184)
Terminations	-	(2,411)
Modifications	-	1,365,084
September 30 and December 31	P30,945,544	P30,184,370

Shown below is the maturity analysis of the undiscounted lease payments for the period and year ended September 30 and December 31:

<i>(In thousands)</i>	2021	2020
Less than one year	P2,626,930	P2,626,930
One to five years	10,543,066	10,543,066
More than five years	33,114,129	33,114,129
	P46,284,125	P46,284,125

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 P734.58 million and P684.4 million as at September 30, 2021 and December 31, 2020, composed of current and noncurrent portion, broken down as follows:

<i>(In thousands)</i>	<i>Note</i>	2021	2020
Current	18	P302,349	P365,754
Noncurrent		432,232	318,682
		P734,581	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 P720.74 million and P782.53 million in 2021 and 2020, respectively.

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

<i>(In thousands)</i>	2021	2020
Less than one year	P1,013,399	P1,013,399
One to two years	935,072	935,072
Two to three years	877,255	877,255
Three to four years	787,863	787,863
Four to five years	721,444	721,444
More than five years	6,974,676	6,974,676
	P11,309,709	P11,309,709

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 P248.0 million and P234.94 million in 2021 and 2020, respectively (see Note 22).

The future minimum lease collections under non-cancellable operating leases as at September 30 and December 31 are as follows:

<i>(In thousands)</i>	2021	2020
Less than one year	P252,349	P252,349
One to two years	151,804	151,804
Two to three years	107,463	107,463
Three to four years	62,837	62,837
Four to five years	33,676	33,676
More than five years	43,756	43,756
	P651,885	P651,885

22. Other Revenue

This account consists of:

<i>(In thousands)</i>	Note	2021	2020
Concession fee income		P1,515,449	P1,509,677
Membership income		423,711	441,833
Rent income	21	248,003	234,942
Miscellaneous		144,772	120,319
		P2,331,934	P2,306,771

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
Depreciation and amortization	11, 12, 13, 21	P2,337,181	P2,916,989
Manpower agency		2,634,247	2,609,434
Salaries and wages		1,972,102	1,887,470
Communication, light and water		1,769,200	1,629,067
Outside services		983,453	897,738
Taxes and licenses		809,227	743,263
Repairs and maintenance		522,615	365,995
Rent	21, 25	493,352	558,188
Store and office supplies		464,150	400,884
Advertising and marketing		424,392	414,858
Credit card charges		324,759	309,435
Transportation		312,688	177,533
Distribution Costs		248,707	251,059
Insurance		188,995	180,638
SSS/Medicare and HDMF contributions		160,593	138,417
Input VAT allocable to exempt sales		148,776	148,223
Representation and entertainment		120,385	94,866
Fuel and oil		67,849	54,236
Royalty expense	25	41,278	45,429
Professional fees		36,852	28,078
Retirement		513	958
Others		439,849	392,238
		P15,442,773	P14,244,996

24. Other Income (Charges)

This account consists of:

<i>(In thousands)</i>	<i>Note</i>	2021	2020
Gain (loss) from sale of securities investment		(P5,292)	P36,230
Loss from lease terminations	21	(3,524)	-
Foreign exchange gain (loss)		(13,466)	4,200
Share in losses of joint ventures and associates	10	(13,370)	(11,730)
Unrealized valuation gain (loss) on financial assets	7	1,281	(11,747)
Bank charges		(919)	(2,364)
Gain on disposal of property and equipment		784	610
Gain (loss) on insurance claim		4,791	513
Miscellaneous		3,438	1,753
		(P26,277)	P17,464

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	P -	P -	P -	P -	P -	Due on September 30, 2021; interest bearing	Unsecured
Interest	2021		-	614,448	-	-	-		
Principal	2020	a	6,374,365	5,524,543	-	-	-	Due on September 30, 2020; interest bearing	Unsecured
Interest	2020		237,162	579,091	-	-	-		
▪ Advances for working capital requirements	2020		-	-	-	-	363,146	Due and demandable; non-interest bearing	Unsecured
	2019		-	-	-	-	363,146		
▪ Management fees	2021	d	-	-	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2020		-	-	-	-	-		
▪ Rent income	2021	e	125,909	-	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2020		125,909	-	-	-	-		
▪ Rent payments	2021	f	-	-	-	212,626	-	Due and demandable; non-interest bearing	Unsecured
	2020	f	216,311	-	-	3,216,435	-		
Associates									
▪ Concession fee expense	2021	c	-	-	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2020		-	-	-	-	-		
Stockholder									
▪ Advances for working capital requirements	2021		5,937	-	185,165	-	344,139	Due and demandable; non-interest bearing	Unsecured;
	2020		826,132	-	184,852	-	349,316		Unimpaired
▪ Royalty expense	2021	g	41,278	-	-	-	41,278	Due and demandable; non-interest bearing	Unsecured
	2020	g	49,569	-	-	-	49,569		
Key Management Personnel									
▪ Short-term benefits	2020		45,657	-	-	-	-		
	2019		23,211	-	-	-	-		
Total	2021			P614,448	P185,165	P212,626	P748,564		
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% 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 September 30 and December 31 are as follows:

<i>(In thousands)</i>	2021	2020
Present value of defined benefits obligation	P1,459,607	P1,461,778
Fair value of plan assets	(30,018)	(30,018)
	P1,429,589	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	513	184,082
Interest cost	-	51,449
	513	235,531
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	-	326,771
Experience adjustments	-	(76,154)
	-	250,617
Benefits paid	(2,684)	(8,839)
Reclass to liabilities directly related to assets held-for-sale	-	-
Balance at end of period/year	P1,459,607	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	-	1,285
Return on plan asset excluding interest	-	82
Balance at end of year	P30,018	P30,018

The Group's plan assets as at September 30 and December 31 consist of the following:

<i>(In thousands)</i>	2021	2020
Cash in banks	P30,218	P3,294
Debt instruments - government bonds	-	26,527
Trust fees payable	-	(14)
Other	-	411
	P30,218	P30,218

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

	2020	2019
Discount rate	3.95% to 3.96%	5.21% to 7.5%
Future salary increases	5% to 8%	5% to 8%

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

The weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 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:

2021

<i>(In thousands)</i>	Increase	Decrease
Discount rate (1% movement)	340,315	(266,233)
Future salary increase rate (1% movement)	323,561	(260,132)

2020

<i>(In thousands)</i>	Increase	Decrease
Discount rate (1% movement)	340,315	(266,233)
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.

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	P1,431,760	P274,196	P39,176	P55,524	P179,496

	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 2021.

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 2021.

27. Income Taxes

The provision for income tax consists of:

<i>(In thousands)</i>	2021	2020
Current	P2,049,872	P2,653,893
Deferred	(152,120)	(190,389)
	P1,897,753	P2,463,504

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	P9,170,831	P8,941,656
Income tax expense at the statutory income tax rate:		
25% and 30%	P2,288,013	P2,605,955
5%	12,244	10,605
Income tax effects of:		
Deduction from gross income due to availment of optional standard deduction	(107,193)	(99,313)
Dividend income	(246)	(203)
Interest income subject to final tax	(83,288)	(61,089)
Non-deductible interest expense	19,231	4,495
Changes in unrecognized DTA	595	1,894
Other income subject to final tax		-
Non-deductible other expenses	16,160	13,130
Non-deductible expenses	2,025	1,622
Share in loss of associates and joint ventures	3,343	-
Non-taxable income	(3,434)	(13,591)
Effect of change in tax rate	(249,696)	-
	P1,897,753	P2,463,504

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>	2021	2020
Items recognized in profit or loss		
Net deferred tax assets on:		
Excess of lease liabilities over ROU assets	2,569,593	P1,772,390
Retirement benefits liability	370,255	373,369
NOLCO	-	49,750
Allowance for impairment of deferred oil and mineral exploration costs	-	38,427
Allowance for impairment losses on receivables	5,116	5,454
Accrued rent expense	-	1,702
Advance rentals	-	2,211
Recognition of DTA on merger transaction	117	117
	2,945,080	2,243,420
Deferred tax liabilities on:		
Fair value of intangible assets from business combination	(1,379,734)	(1,379,734)
Accrued rent income	(548,029)	(10,831)
Unrealized foreign exchange gain	-	(593)
	(1,927,763)	(1,391,158)
	1,017,317	852,262
Item recognized in other comprehensive income		
Remeasurement on defined benefits liability	50,870	50,457
	P1,068,187	P902,719
<i>Net deferred tax liabilities</i> <i>(In thousands)</i>		
	2021	2020
Items recognized in profit or loss		
Net deferred tax assets on:		
Retirement benefits liability	P -	P1,469
Excess of lease liabilities over ROU assets	-	956
Unrealized foreign exchange loss	-	366
	-	2,791
Deferred tax liabilities on:		
Accrued rent income	(76,608)	(76,502)
Excess of ROU assets over lease liabilities	(52,079)	(54,339)
Borrowing cost	(13,109)	(13,109)
Advance rentals	-	-
	(141,796)	(143,950)
	(141,796)	(141,159)
Item recognized in other comprehensive income		
Remeasurement on defined benefits liability	(9,623)	(4,429)
	(P151,419)	(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 September 30 and December 31 are as follows:

<i>(In thousands)</i>	2021	2020
Impairment of property, plant and equipment	P48,011	P48,011
NOLCO	26,356	26,356
MCIT	10,481	10,481
Unrealized foreign exchange gain (loss)	75	75
	P84,923	P84,923

The unrecognized deferred tax assets originated 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
	P168,131	P -	P168,131	

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
2017	P3,593	(P3,593)	P -	2020
2018	8,733	-	8,733	2021
2019	10,060	-	10,060	2022
2020	377	-	377	2023
	P22,763	(P3,593)	P19,170	

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	459,161,290	1,693,263	(451,238,890)	(1,652,861)
Outstanding	6,946,102,274	P5,712,001	6,954,024,674	P5,752,403
Treasury shares:				
Balance at beginning of year	P451,328,890	P1,652,861	410,738,990	P1,403,974
Buy back of shares	7,832,400	40,402	40,499,900	248,887
Balance at end of year	P459,161,290	P1,693,263	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 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 2020 and 2019, 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 September 30, 2021 and December 31, 2020, unpaid cash dividends on common shares amounting to P0.50 million and P2.2 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 September 30, 2021 and December 31, 2020, 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>	2021		2020	
	PPCI	CHC	PPCI	CHC
NCI percentages	51%	10%	51%	10%
Carrying amounts of NCI	P38,459,032	P733,063	P34,826,274	P727,708
Current assets	P58,142,722	P12,671,382	P59,475,057	P12,046,531
Noncurrent assets	72,884,339	-	72,205,359	-
Current liabilities	10,058,233	5,340,753	17,102,485	4,769,453
Noncurrent liabilities	46,763,538	-	46,076,211	-
Net assets	P74,205,290	P7,330,629	P68,501,720	7,277,078
Net income attributable to NCI	P2,915,505	P5,355	P4,101,176	P7,556
Other comprehensive attributable to NCI	P -	P -	(P88,005)	P -
Revenue	P115,241,028	P -	P168,632,329	P237,044
Net income	P5,734,667	P53,551	P8,066,828	P75,557
Other comprehensive loss	-	-	(173,102)	-
Total comprehensive income	P5,734,667	P53,551	P7,893,726	P75,557

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	
	2021	2020	2021	2020
Grocery retail	P115,241,028	P121,137,648	P5,734,667	P5,049,564
Liquor distribution	6,639,755	5,024,734	1,110,078	705,148
Specialty retail	1,177,965	1,251,636	46,266	39,042
Real estate and property leasing	1,242,967	1,263,847	581,368	624,521
Holding, oil and mining	-	-	(199,301)	9,274
Total	124,301,716	128,677,865	7,273,078	6,427,549
Eliminations of intersegment revenue/profit	2,245,244	1,708,252	-	-
	P122,056,472	P126,969,613	P7,273,078	P6,427,549

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
Grocery retail:		
From external customers	P115,241,028	P121,137,648
Liquor distribution:		
From external customers	4,919,538	3,798,790
From intersegment sales	1,720,217	1,225,944
	6,639,755	5,024,734
Specialty retail:		
From external customers	1,175,163	1,250,645
From intersegment sales	2,802	991
	1,177,965	1,251,636
Real estate and property leasing:		
From external customers	720,743	782,531
From intersegment sales	522,225	481,317
	1,242,967	1,263,847
Oil and mining:		
From external customers	-	-
Total revenue from external customers	P122,056,472	P126,969,613
Total intersegment revenue	P2,245,244	P1,708,252

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>	2021	2020
Segment assets:		
Grocery retail	P131,027,061	P131,593,509
Specialty retail	1,016,018	1,191,517
Liquor distribution	8,479,046	8,739,767
Real estate and property leasing	25,632,124	25,596,172
Oil and mining	124,190,676	106,061,232
Total segment assets	290,344,925	273,182,197
Intercompany assets	116,194,331	94,992,373
Total assets	P174,150,594	P178,189,824
Segment liabilities:		
Grocery retail	P56,821,771	P63,090,940
Specialty retail	571,506	792,646
Liquor distribution	901,890	2,273,073
Real estate and property leasing	8,450,649	8,995,981
Oil and mining	7,172,482	11,285,978
Total segment liabilities	73,918,298	86,438,618
Intercompany liabilities	16,715,149	18,028,122
Total liabilities	P57,203,149	P68,410,496

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
Net income attributable to equity holders of the Parent Company (a)	P4,344,072	P3,834,620
Weighted average number of common shares (b)	6,948,057	6,959,945
Basic/diluted EPS (a/b)	P0.6252	P0.5509

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	2021	2020
Cash and cash equivalents ⁽¹⁾	4	P45,406,807	P48,085,044
Receivables – net	5	3,677,583	10,308,181
Financial assets at FVPL	7	28,794	2,411,375
Security deposits ⁽²⁾	15	2,267,641	2,260,918
Due from related parties	25	185,165	184,852
Financial assets at FVOCI	8	16,860	16,860
		P51,582,850	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>	September 30, 2021			Total
	Grade A	Grade B	Grade C	
Financial Assets at Amortized Cost				
Cash and cash equivalents ⁽¹⁾	P45,406,807	P -	P -	P45,406,807
Receivables	1,776,096	1,901,487	113,636	3,791,219
Due from related parties	132,112	-	-	132,112
Security deposits ⁽²⁾	2,267,641	-	-	2,267,641
Financial Assets at FVPL		-	-	
Investments in trading securities	28,794	-	-	28,794
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
	P49,633,268	P1,901,487	P113,636	P51,648,391

⁽¹⁾ Excluding cash on hand.

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

<i>(In thousands)</i>	December 31, 2020			Total
	Grade A	Grade B	Grade C	
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:

September 30, 2021					
(In thousands)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses ⁽¹⁾	P9,415,377	P9,415,377	P9,415,377	P -	P -
Lease liabilities	30,945,544	46,284,125	2,626,930	10,543,066	33,114,129
Due to related parties	748,564	748,564	748,564	-	-
Long-term loans ⁽²⁾	12,274,201	16,561,912	549,293	166,865	15,845,754
Customers' deposits ⁽³⁾	734,581	734,581	406,026	239,012	89,543
	P54,118,267	P73,744,559	P13,746,190	P10,948,943	P49,049,426

⁽¹⁾ Excluding due to government agencies.

⁽²⁾ Including current and non-current portion.

⁽³⁾ Including current and non-current portion.

December 31, 2020					
(In thousands)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses ⁽¹⁾	P15,934,243	P15,934,243	P15,934,243	P -	P -
Short-term loans	42,000	42,000	42,000	-	-
Lease liabilities	30,184,370	46,284,125	2,626,930	10,543,066	33,114,129
Due to related parties	762,031	762,031	762,031	-	-
Long-term loans ⁽²⁾	16,569,700	16,569,700	395,338	168,550	16,005,812
Customers' deposits ⁽³⁾	684,436	684,436	365,753	239,012	79,671
	P64,176,780	P80,276,535	P20,126,295	P10,950,628	P49,199,612

⁽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 September 30, 2021 and December 31, 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 September 30, 2021 and December 31, 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. Prior Period Adjustment

Certain accounts in 2020 consolidated interim financial statements have been adjusted to reflect required adjustments in certain accounts of the Liquor Distribution segment resulting from the full implementation of PFRS 16, Leases and are presented as follows:

<i>(In thousands pesos)</i>	Note	September 30, 2020		
		As Previously Reported	Adjustments	As Restated
Statement of Income				
Cost of sales		P105,111,570	(12,346)	105,099,224
Operating expense		14,197,961	47,035	14,244,996
Others-net		(1,025,197)	(15,914)	(1,041,111)
Provision for income taxes		2,469,414	(5,910)	2,463,504

COSCO CAPITAL, INC. AND SUBSIDIARIES

September 30, 2021 and December 31, 2020

Ageing of Receivables

(In Thousands)

	September 30, 2021	December 2020
Neither pas due nor impaired	1,311,089	1,982,956
Past due 1-30	465,007	7,373,469
Past due 31-60	912,523	277,003
More than 60	988,964	674,753
Impaired	113,636	113,636
	<u>3,791,219</u>	<u>10,421,817</u>