

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
Jun 30, 2019
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) 522-8801 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	7,256,251,264

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:
 The Philippine Stock Exchange, Inc.
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	Jun 30, 2019
Currency (indicate units, if applicable)	Php in thousands

Balance Sheet

	Period Ended		Fiscal Year Ended (Audited)	
	Jun 30, 2019		Dec 31, 2018	
Current Assets	56,811,449		57,744,974	
Total Assets	141,377,905		139,248,125	
Current Liabilities	12,393,410		22,497,073	
Total Liabilities	39,670,799		51,932,410	
Retained Earnings/(Deficit)	52,596,536		44,170,453	
Stockholders' Equity	101,707,106		87,315,715	
Stockholders' Equity - Parent	73,105,873		60,129,877	
Book Value per Share	14.51		12.43	

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	40,018,578	40,129,257	78,224,054	77,634,081
Gross Expense	37,339,977	37,307,165	72,252,322	71,715,459
Non-Operating Income	291,356	402,128	8,396,223	453,264
Non-Operating Expense	283,387	263,087	824,729	789,921
Income/(Loss) Before Tax	2,686,569	2,961,133	13,543,227	5,581,965
Income Tax Expense	675,957	714,800	1,460,924	1,456,191
Net Income/(Loss) After Tax	2,010,613	2,246,333	12,082,303	4,125,774
Net Income Attributable to Parent Equity Holder	1,336,399	1,417,168	9,881,876	2,646,449

Earnings/(Loss) Per Share (Basic)	0.19	0.2	1.41	0.37
Earnings/(Loss) Per Share (Diluted)	-	-	-	-

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	1.93	0.79
Earnings/(Loss) Per Share (Diluted)	-	-

Other Relevant Information

Please see attached SEC Form 17-Q / Second Quarterly Report of Cosco Capital, Inc. CY 2019.

Filed on behalf by:

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



August 13, 2019

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

Attention: **Vicente Graciano P. Felizmenio, Jr.**
Director – Market and Securities Regulation Division

The Philippine Stock Exchange, Inc.
6th Floor, PSE Tower
28th St., cor. 5th Ave.
BGC, Taguig City

Attention: **Janet A. Encarnacion**
Head – Disclosure Department

Subject: **SEC 17-Q as of June 30, 2019**

GENTLEMEN:

For submission is the attached SEC 17-Q / Second Quarter Consolidated Financial Statements of Cosco Capital, Inc. as of June 30, 2019.

Thank you.

Very truly yours,


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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2019 2Q 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: June 30, 2019
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 six interim periods:

Performance Indicators	1H2019 Excluding gain on sale of shares	1H2019	1H2018
ROI	4.30%	12.78%	2.37%
Profit margin	5.31%	15.75%	5.41%
EBITDA to interest expense	9.58x	9.58x	9.89x
Current ratio	4.58:1	4.58:1	2.20:1
Asset turnover	0.55x	0.55x	0.33x
Asset to equity	1.39:1	1.39:1	1.35:1
Debt to equity ratio	0.39:1	0.39:1	0.35:1

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 June 30, 2019 and 2018.

<i>(In Thousands)</i>	1H2019	%	1H2018	%	INCREASE (DECREASE)	%
REVENUES	P76,724,223	100.00%	P76,231,010	100.00%	P493,213	0.65%
COST OF SALES/SERVICES	63,235,883	82.42%	63,305,213	83.04%	(69,330)	-0.11%
GROSS PROFIT	13,488,340	17.58%	12,925,797	16.96%	562,543	4.35%
OTHER OPERATING INCOME	1,499,831	1.95%	1,403,071	1.84%	96,760	6.90%
GROSS OPERATING INCOME	14,988,171	19.54%	14,328,868	18.80%	659,303	4.60%
OPERATING EXPENSES	9,016,439	11.75%	8,410,246	11.03%	606,193	7.21%
INCOME FROM OPERATIONS	5,971,732	7.78%	5,918,622	7.76%	53,110	0.90%
OTHER INCOME (CHARGES) - net	7,571,494	9.87%	(336,657)	-0.44%	7,908,151	-
INCOME BEFORE INCOME TAX	13,543,226	17.65%	5,581,965	7.32%	7,961,261	142.62%
INCOME TAX EXPENSE	1,460,924	1.90%	1,456,191	1.91%	4,733	0.33%
NET INCOME FOR THE PERIOD	P12,082,303	15.75%	P4,125,774	5.41%	P7,956,528	192.85%
Net Income Attributable to:						
Equity holders of the Parent Company	P9,881,876	12.88%	P2,646,449	3.47%	P7,235,427	273.40%
Non-controlling interests	2,200,426	2.87%	1,479,325	1.94%	721,101	48.75%
	P12,082,303	15.75%	P4,125,774	5.41%	P7,956,528	192.85%
EARNINGS PER SHARE (EPS)	P1.40886		P0.37213			278.60%

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P76.72 Billion for the first half ending June 30, 2019 which reflects an increase by P493.21 Million or representing a growth of 0.65% compared to last year's revenue of P76.23 Billion.

The 2019 revenue figures do not anymore include the revenue contributions from Liguigaz in view of the divestment of the group's equity interests which was closed and completed on February 13, 2019. Excluding Liguigaz's revenue contribution in 2018 amounting to about P7.60 Billion, for like comparability, consolidated revenues of all the business segments in 2019 would reflect a normalized growth of 11.78% year on year over 2018 performance.

Growth in Net Income

During the same period, the Group realized a consolidated net income of P12.08 Billion which is higher by P7.96 Billion representing a growth of 192.85% as compared to last year's net income of P4.12 Billion which was restated to reflect the retrospective effect of the adoption of new lease accounting standard on Grocery Retail and Specialty Retail segments' net income.

The 2019 net income includes a one-time gain realized from the sale of the group's equity interest in Liguigaz Philippines Corporation amounting to P8.01 Billion. Excluding this one-time gain on sale of investment, core consolidated net income for the period ended June 30, 2019 amounted to P4.07 Billion at 5.31% net margin and for a growth of 8.24%.

Net income attributable to equity holders of the parent company (PATMI) in 2019 amounted to about P9.88 Billion which increased by about P7.23 Billion or 273.40% as compared to the 2018 PATMI amounting to P2.64 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2019 would amount to P2.67 Billion which is 8.62% higher than the 2018 PATMI of P2.46 Billion.

Grocery Retail Segment

During the six-months of 2019, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P71.13 Billion or an increase of P7.21 Billion or about 11.28% growth as compared to the segment's revenue contribution of P63.92 Billion for the same period of last year brought about by its continued organic stores expansion program and management's combined efforts to boost revenue.

Consolidated net income contribution in 2019 amounted to P2.83 Billion which decreased by P143.65 Million or 4.83% as compared to the net income contribution of P2.97 Billion in the same period in 2018. Excluding the one-time gain realized from the sale of investment in PG Lawson joint venture amounting to P363 million in 2018, core consolidated net income for the period ended June 30, 2019 would reflect a growth of 8.4%.

Real Estate Segment

The commercial real estate business segment contributed P917.51 Million to the Group's consolidated revenue in 2019 representing a growth of 8.8% from the segment's revenue contribution during the same period last year amounting to P843.32 Million. This was mainly attributable to the additional leasable area from the new mall assets added to the portfolio during the first quarter of 2018 and in 2019, sustained higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Consolidated net income contribution in 2019 amounted to about P612.90 Million which increased by about P40.74 Million or 7.12% as compared to the net income contribution of P572.13 Million in 2018.

Liquor Distribution Segment

The liquor distribution business segment contributed about P3.45 Billion to the Group's consolidated revenue during the same period in 2018 representing an increase by about P586.06 Million or 20.46% higher as compared to the 2018 revenue contribution of P2.86 Billion mainly attributable to its continued strong sales performance of its brandy category particularly the Alfonso brand and on the back of its aggressive sales and marketing campaign during the period first quarter.

Consolidated net income contribution in 2019 amounted to about P458.33 Million which increased by P76.96 Million or 20.18% as compared to the net income contribution in 2018 amounting to P381.37 Million.

Specialty Retail Segment

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

Office Warehouse, Inc. contributed about P1.22 Billion to the Group's consolidated revenue during the first quarter of 2019 representing an increase by about P210.98 Million or 20.89% higher as compared to the 2018 revenue contribution of P1.01 Billion mainly attributable to its strong same store sales growth (SSSG) of 15.34% and its continuing stores network expansion program, enhanced product offerings and aggressive sales and marketing campaign. Net income contribution in 2019 amounted to about P54.32 Million which increased by P21.77 Million or 66.9% as compared to the net income contribution in 2018 amounting to P32.54 Million, which was restated to reflect the retrospective effect of the adoption of adapting the new lease accounting standard under PFRS 16 effective January 1, 2019.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the period ended June 30, 2019, the Grocery Retail segment posted a consolidated net sales of P71,136 million for an increase of P7,213 million or a growth of 11.3% compared to P63,923 million in the same period of 2018. The full operation of new organic stores put up in 2018 boost the increase in consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the first half of 2019.

Like for like sales performance indicators for the period ended June 30 are as follow:

	PGOLD		S&R	
	2019	2018	2019	2018
Net Sales	6.2%	6.1%	9.3%	5.9%
Net Ticket	9.5%	6.3%	7.4%	8.5%
Traffic	-3.0%	-0.2%	1.8%	-2.4%

Gross Profit

For the period ended June 30, 2019, the Grocery Retail segment realized an increase of 7.5% in consolidated gross profit from P10,992 million in 2018 at 17.2% margin to P11,816 million at 16.6% margin in the same period of 2019, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. The margin slightly decline during the current period accounting primarily to lower supplier support in relation to product cost.

Other Operating Income

Other operating income increased by P127 million or 9.3% from P1,364 million in the six months of 2018 to P1,491 million in the same period of 2019. This is attributable to increase in concess income, membership income and rent income driven mainly by new stores opened during the year and full operation of new stores opened in 2018.

Gross Operating Income

Gross operating income for the first half of 2019 amounted to P13,306 million at a gross operating margin of 18.7% which grew by 7.7% from P12,356 million at 19.3% margin in the same period of 2018.

Operating Expenses

Operating expenses increased by P732 million or 9.4% from P7,782 million in the six-month period ended June 30, 2018 to P8,514 million in the same period of 2019. The incremental operating expenses were mainly attributable to depreciation expense as a result of adoption of the new accounting standard, *PFRS 16 – Leases*. Taxes and licenses, utilities, advertising and promotion, and manpower expenses increased as well principally related to the establishment and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P795 million and P494 million for the six-month periods ended June 30, 2019 and 2018, respectively. Interest income increased in June 2019 due to higher placement in short-term investment as compared to the same period of 2018. Interest expense increased as well as a result of adoption of the new accounting standard, *PFRS 16 – Leases*.

Net Income

For the period ended June 30, 2019, the Grocery Retail segment earned a consolidated net income of P2,828 million at 4.0% net margin and a decrease of 4.8% from P2,971 million at 4.6% net margin in the same period of 2018. Core consolidated net income grew by 8.4% or P219 million at 4.0% and 4.1% net margin in 2019 and 2018, respectively. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores.

Commercial Real Estate

The Group's Real Estate Segment posted P1.27 Billion in revenues in the first half of June 30, 2019 or a 4.65% increase from P1.21 Billion in the same period of 2018. This was mainly attributable to the additional leasable area from its new mall assets added to its portfolio in early 2018 and 2019, higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Income from operations before depreciation increased by P23.27 Million or 3.1% from P760.84 Million in 2018 to P784.11 Million for the six-month period ended June 30, 2019.

Net income for the period amounted to P637.32 Million or an 11.39% increase from last year's P572.13 Million augmented by higher interest income from cash placements.

During the first half of 2019, the real estate segment continued to implement the development of two commercial mall assets located in Las Pinas and Bayawan Negros Oriental. The Bayawan Negros Oriental commercial mall is programmed to be opened in Q4 2019. It had also acquired a parcel of land in Barotac, Iloilo with an estimated area of 19,423 sq.m. added to its current land bank for future development.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to P4.51 Billion in 2019 or 20.96% growth from last year's P3.73 Billion on the back of about 31% growth in volume (no. of cases) of sales. The strong sales performance is still principally driven by its brandy portfolio which accounts for more than 70% of sales augmented by the strong performance of the spirits sector. Wines and specialty beverages also experienced dramatic growths in the current period and contributed to the segment's overall sales growth.

Income from operations increased to P641.84 Million in 2019 or 24.74% higher from last year's P514.55 Million.

Net income for the 2019 period increased by P78.90 Million from P378.55 Million in 2018 to P457.45 Million in 2019 or 20.84%.

Specialty Retail

Office Warehouse

As at June 30, 2019, the company had expanded its retail network to 91 stores from 46 stores at acquisition date. Net selling area also increased to 17,049 sq.m. or a growth by 2.6% in 2019 as compared to 2018. Sales revenues increased to P1.22 Billion in 2019 or 20.9% higher as compared to the 2018 revenue contribution of P1.01 Billion mainly attributable to its continuing stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 15.34% during the first half of 2019. Net income contribution in 2019 amounted to about P54.32 Million which increased by P21.78 Million or 66.9% as compared to the net income contribution in 2018 amounting to P32.54 Million

Liquigaz

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

The sale of investment in Liquigaz resulted to a one-time gain of P8.01 Billion, net of capital gains tax.

Revenues generated in 2018 amounted to P7.59 Billion and net income of P233.06 Million.

IV. FINANCIAL CONDITION

Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group as at June 30, 2019 and December 31, 2018:

<i>(In Thousands)</i>	2019	%	2018	%	INCREASE (DECREASE)	%
ASSETS						
Current Assets						
Cash and cash equivalents	25,235,218	17.85%	18,784,861	12.05%	8,450,358	50.35%
Receivables - net	4,005,926	2.83%	6,630,927	4.76%	(2,625,001)	-39.59%
Financial asset at FVOCI	7,026	0.00%	7,026	0.01%	-	0.00%
Financial asset at FVPL	36,607	0.03%	36,503	0.03%	104	0.29%
Inventories	23,525,434	16.64%	23,931,657	17.19%	(406,222)	-1.70%
Due from related parties	286,784	0.20%	47,971	0.03%	238,812	497.82%
Prepaid expenses and other current assets	3,714,453	2.63%	2,985,135	2.14%	729,318	24.43%
	56,811,449	40.18%	50,424,079	36.21%	6,387,370	12.67%
Assets of disposal group classified as held for sale	-	-	7,320,895	5.26%	(7,320,895)	100.00%
Total current assets	56,811,449	40.18%	57,744,974	41.47%	(933,525)	-1.62%
Noncurrent Assets						
Property and equipment - net	26,864,730	19.00%	26,343,793	18.92%	520,937	1.98%
Right-of-use assets	18,631,689	13.18%	18,606,889	13.36%	24,800	0.13%
Investment properties - net	11,010,044	7.79%	10,836,618	7.78%	173,425	1.60%
Intangibles and goodwill - net	21,084,204	14.91%	21,095,502	15.15%	(11,299)	-0.05%
Investments	511,054	0.43%	611,054	0.44%	-	0.00%
Deferred oil and mineral exploration costs	127,851	0.09%	123,365	0.09%	4,486	3.64%
Deferred tax assets-net	400,779	0.26%	301,404	0.22%	99,375	32.97%
Other non-current assets	5,836,105	4.13%	3,584,525	2.57%	2,251,580	62.81%
Total noncurrent assets	84,666,457	59.82%	81,503,151	58.53%	3,063,306	3.76%
Total Assets	141,377,905	100.00%	139,248,125	100.00%	2,129,781	1.53%
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	8,960,117	6.33%	13,015,167	9.35%	(4,065,050)	-31.23%
Income tax payable	667,549	0.47%	928,796	0.67%	(261,247)	-28.13%
Short-term loans payable	1,025,055	0.73%	4,866,300	3.49%	(3,841,234)	-78.94%
Current portion of long-term borrowing	-	0.00%	49,999	0.04%	(49,999)	-100.00%
Due to relate parties	1,349,675	0.95%	1,365,863	0.98%	(16,168)	-1.19%
Other current liabilities	401,002	0.28%	436,297	0.31%	(35,295)	-8.09%
	12,393,410	8.77%	20,662,422	14.84%	(8,269,012)	-40.02%
Liabilities of disposal group classified as held for sale	-	0.00%	1,834,651	1.32%	(1,834,651)	100.00%
Total current liabilities	12,393,410	8.77%	22,497,073	16.16%	(10,103,663)	-44.91%
Noncurrent Liabilities						
Retirement benefit liability	504,645	0.38%	508,533	0.37%	(3,888)	-0.76%
Lease liability	20,224,824	14.31%	20,882,263	15.00%	(657,439)	-3.15%
Deferred tax liabilities	571,993	0.40%	557,970	0.40%	14,023	2.51%
Long term loans payable - net of debt issue cost	5,132,251	3.63%	6,572,209	4.72%	(1,439,959)	-21.91%
Other non-current liabilities	843,676	0.60%	914,362	0.66%	(70,685)	-7.73%
Total noncurrent liabilities	27,277,389	19.29%	29,435,337	21.14%	(2,157,948)	-7.33%
Total Liabilities	39,670,799	28.06%	51,932,410	37.29%	(12,261,611)	-23.61%
EQUITY						
Capital stock	7,509,600	5.31%	7,405,264	5.32%	104,337	1.41%
Additional paid-in capital	14,165,924	10.02%	9,634,644	6.92%	4,531,280	47.03%
Remeasurement of retirement liability - net of tax	113,859	0.08%	113,822	0.08%	37	0.03%
Reserve for fluctuations in value of financial assets at FVOC	3,420	0.00%	3,420	0.00%	-	-
Treasury shares	(1,283,466)	-0.91%	(1,197,727)	-0.86%	(85,740)	7.16%
Retained earnings	52,596,536	37.20%	44,170,453	31.72%	8,426,083	19.08%
Total Equity Attributable to Equity Holders of Parent Company	73,105,873	51.71%	60,129,877	43.18%	12,975,997	21.58%
Non-controlling interest	28,601,233	20.23%	27,185,838	19.52%	1,415,395	5.21%
Total Equity	101,707,106	71.94%	87,315,715	62.71%	14,391,391	16.48%
Total Liabilities and Equity	141,377,905	100.00%	139,248,125	100.00%	2,129,781	1.53%

Current Assets

Cash and cash equivalents amounted to P25.23 Billion as at June 30, 2019 with an increase of P8.45 Billion or 50.35% from December 31, 2018 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables, proceeds from sale of investment in Liquigaz and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2019 cash dividends, settlement of loans and payments for capital expenditures during the period.

Receivables decreased by 39.59% from December 31, 2018 balance of P6.63 Billion to this period's balance of P4.00 Billion due mainly to the collections made.

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

Financial assets at fair value through profit or loss (FVPL) increased by 0.29% from December 31, 2018 balance of P36.50 Million to this period's balance of P36.60 Million due mainly to the effect of changes in stock market prices of the underlying shares held.

Inventories decreased by 1.70% from 2018 balance of P23.93 Billion to this period's balance of P23.52 Billion mainly due to the net effect of reduction of stock levels from the normally higher inventory level in December 2018 including members' treat sale at S & R warehouses in the first quarter of 2019 offset by the stocking requirements of the new Puregold and S&R warehouse outlets opened in 2019. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P19.30 Billion.

Prepaid expenses and other current assets increased by P729.32 Million or 24.43% at the end of June 2019, mainly due to prepayments made for advertising, prepayments for taxes and licenses, availment of new policies for insurance of new stores and advance rental payments for soon to open stores of the Grocery Retail segment.

Due from related parties increased by P238.81 Million at the end of June 2019, due primarily to additional advances availed.

Non-current Assets

As at June 30, 2019 and December 31, 2018, total non-current assets amounted to P84.56 Billion or 59.82% of total assets, and P81.50 Billion or 58.53% of total assets, respectively, for an increase of P3.06 Billion or 3.76%.

Property and equipment-net pertains to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment increased by P520.94 Million from P26.34 Billion in December 2018 to P26.84 Billion in June 2019 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P24.80 Million from P18.61 Billion in December 2018 to P18.63 Billion in June 2019 due principally to depreciation and additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P173.42 Million from P10.84 Billion in December 2018 to P11.01 Billion in June 2019 resulting from acquisition of additional land assets for future development.

Intangibles and goodwill-net decreased by P11.30 Million.

Deferred tax assets increased by P99.37 Million or 32.97% from P301.40 Million in December 2018 to P400.78 Million in June 2019 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets increased by P2.25 Billion from P3.58 Billion in December 2018 to P5.84 Billion in June 2019. About 37% 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 June 30, 2019 and December 31, 2018, total current liabilities amounted to P12.39 Billion and P22.50 Billion respectively, for a decrease of P10.10 Billion or 44.91%.

About 67% 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 P4.06 Billion or 31.23% was primarily due to net settlement of trade and non-trade liabilities.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The decrease by P261.25 Million from P928.79 Million as at December 2018 to P667.55 Million as at June 30, 2019 is mainly due to net effect of settlement of income tax pertaining to 2018 and the additional income tax from the Grocery Retail segment due to higher taxable profits.

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

Short-term loans payable account decreased by P3.80 Billion mainly due to settlements made by the Grocery Retail and Liquor Distribution segments.

Due to related parties decreased by P16.19 Million mainly due to the settlement of advances.

Other current liabilities decreased by 8.09% from P436.30 Million as at December 31, 2018 to P401.00 Million as at June 30, 2019 relatively due to redemption of gift checks and loyalty cards points benefits by the Grocery Retail segment.

Noncurrent Liabilities

As at June 30, 2019 and December 31, 2018, total non-current liabilities amounted to P27.28 Billion and P29.43 Billion, respectively, for a decrease of P2.16 Billion or 7.33%.

Long-term loans payable-net of current portion Long-term loans payable-net of current portion decreased by P1.44 Billion mainly due to the Grocery Retail segment's prepayment of its long term bank loans.

Lease liability represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account decreased by P657.44 Million from P20.88 Billion in December 2018 to P20.22 Billion in June 2019 due principally to the net effect of interest expense amortization recognized and lease payments made during the current period.

Other non-current liabilities decreased by P70.68 million or 7.73% from P914.36 Million in December 2018 to P843.67 Million as at June 30, 2019 Mainly due to recognition of rent income for lease contracts entered into by the Real Estate Segment in compliance with PAS 17 – Leases.

Equity

As at June 30, 2019 and December 31, 2018, total equity amounted to P101.71 Billion and P87.26 Billion, respectively, for an increase of P14.39 Billion or 16.48%.

Capital stock increased by P104.30 Million from P7.40 Billion in December 2018 to P7.51 Billion as at June 30, 2019 due to additional issuance of 104,300,000 shares by the Grocery Retail segment resulting from top-up private placement transaction undertaken in early January 2019.

Additional paid-in capital increased by P4.53 Billion from P9.63 Billion in December 2018 to P14.16 Billion as at June 30, 2019 representing the amounts received in excess of par value resulting from the additional issuance of shares by the Grocery Retail segment from top-up private placement transaction.

Treasury shares increased by P85.74 Million from P1.20 Billion in December 2018 to P1.28 Billion as at June 30, 2019 due to additional shares buyback by the Parent Company during the year pursuant to its existing shares buyback program.

Retained earnings increased by P8.43 Billion or 19.08%% from P44.17 Billion in December 2018 to P52.60 Billion as at June 30, 2019 due to the net effect of profit realized by the Group and dividend declaration during first quarter of 2019.

Non-controlling interest increased by P1.42 Billion or 5.21% from P27.18 Billion in December 2018 to P28.60 Billion as at June 30, 2019 mainly due to share in the consolidated profit and dividend declared.

V. SOURCES AND USES OF CASH

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

<i>(In Thousands)</i>	<u>For the Six-month period ended June 30</u>			
		2019		2018
Net cash from operating activities	P	3,688,220	P	170,749
Net cash from (used) investing activities		8,103,460		(3,713,564)
Net cash used in financing activities		(3,341,323)		(3,841,717)
Net increase (decrease) in cash and cash equivalents	P	8,450,357	P	(7,384,533)

Net cash from operating activities during the current period are basically attributable to the net effect of the net operating income, collection of trade receivables, settlement of trade and non-trade payable accounts and other working capital fundings.

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 the sale of investment.

Net cash used in financing activities principally resulted from the net effect of proceeds from top-up private placements and settlements of bank loans by the Grocery Retail, Specialty Retail and Liquor Distribution segments during the period, payment of 2019 cash dividends declared by the Grocery Retail segment and Parent Company.

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

VI. MATERIAL EVENTS AND UNCERTAINTIES

- (i) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;
- (ii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;
- (iii) There are no contingent liabilities or assets since the last statement of financial position period;
- (iv) Sources of liquidity – Fundings for the current year will be sourced principally from internally generated cash flows to be augmented by short-term borrowings as may be required.
- (v) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;
- (vi) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;
- (vii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;
- (viii) There are no significant elements of income not arising from continuing operations;
- (ix) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

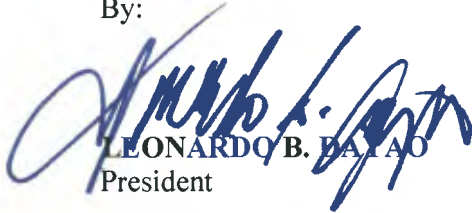
SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the Issuer has duly caused this Second Quarter Financial Statements of Cosco Capital, Inc. and its subsidiaries for the year 2019 to be signed on its behalf by the undersigned thereunto duly authorized.

August 13, 2019 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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Notes to Consolidated Financial Statements

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and December 31, 2018

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

		June 30 and December 31	
	Note	2019 (Unaudited)	2018 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	4	P25,235,218	P16,784,861
Receivables – net	5	4,005,926	6,630,927
Inventories	6,20	23,525,434	23,931,657
Financial assets at fair value through profit or loss (FVPL)	7	36,607	36,503
Financial assets at fair value through other comprehensive income (FVOCI)	8	7,026	7,026
Due from related parties	25	286,784	47,971
Prepaid expenses and other current assets	9	3,714,453	2,985,135
		56,811,449	50,424,079
Assets of disposal group classified as held for sale	33	-	7,320,895
Total Current Assets		56,811,449	57,744,974
Noncurrent Assets			
Investments	10	611,054	611,054
Property and equipment - net	11	26,864,730	26,343,793
Right-of-use assets-net	21	18,631,689	18,606,889
Investment properties - net	12	11,010,044	10,836,618
Intangibles and goodwill - net	13	21,084,204	21,095,502
Deferred oil and mineral exploration costs - net	14	127,851	123,365
Deferred tax assets - net	27	400,779	301,404
Other noncurrent assets	15	5,836,105	3,584,525
Total Noncurrent Assets		84,566,457	81,503,151
Total Assets		P141,377,905	P139,248,125
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	16	P8,950,117	P13,015,167
Short-term loans	17	1,025,066	4,866,300
Current maturities of long-term debts	17	-	49,999
Income tax payable		667,549	928,796
Due to related parties	25	1,349,675	1,365,863
Other current liabilities	18	401,002	436,297
		12,393,410	20,662,422
Liabilities of disposal group classified as held for sale	33	-	1,834,651
Total Current Liabilities		12,393,410	22,497,073
Noncurrent Liabilities			
Long-term debts - net of current portion	17	5,132,251	6,572,209
Lease liability	21	20,224,824	20,882,263
Deferred tax liabilities - net	25	571,993	557,970
Retirement benefits liability	26	504,645	508,533
Other noncurrent liabilities	18	843,676	914,362
Total Noncurrent Liabilities		27,277,389	29,435,337
Total Liabilities		39,670,799	51,932,410

Forward

June 30 and December 31			
	Note	2019 (Unaudited)	2018 (As Restated)
Equity			
Capital stock	28	7,509,600	P7,405,264
Additional paid-in capital	28	14,165,924	9,634,644
Treasury stock	28	(1,283,466)	(1,197,727)
Remeasurements of retirement liabilities - net of tax	26	113,859	113,822
Net unrealized gain on financial assets at FVOCI	8	3,420	3,420
Retained earnings		52,596,536	44,170,453
Total Equity Attributable to Equity Holders of Cosco Capital, Inc.		73,105,873	60,129,877
Non-controlling Interests		28,601,233	27,185,838
Total Equity		101,707,106	87,315,715
		P141,377,905	P139,248,125

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands Pesos)

	Note	Periods Ended June 30	
		2019 (Unaudited)	2018(As Restated)
REVENUES	19		
Net sales		P75,806,713	P75,387,388
Services		917,510	843,322
Production lifting		-	300
		76,724,223	76,231,010
COST OF SALES	20		
Cost of goods sold		62,703,937	62,804,393
Cost of services		531,946	500,821
		63,235,883	63,305,213
GROSS PROFIT		13,488,340	12,925,797
OTHER OPERATING INCOME	22	1,499,831	1,403,071
		14,988,171	14,328,868
OPERATING EXPENSES	23	9,016,439	8,410,246
INCOME FROM OPERATIONS		5,971,732	5,918,622
OTHER INCOME (EXPENSES) - Net			
Interest expense	17,21	(824,729)	(789,921)
Interest income	4	393,136	80,398
Others - net	24	8,003,087	372,865
		7,571,494	(336,657)
INCOME BEFORE INCOME TAX		13,543,227	5,581,965
INCOME TAX EXPENSE	27	1,460,924	1,456,191
NET INCOME		P12,082,303	P4,125,774
Net income attributable to:			
Equity holders of Cosco Capital, Inc.		P9,881,876	P2,646,449
Non-controlling interests		2,200,426	1,479,325
		P12,082,303	P4,125,774
Basic/Diluted earnings per share attributable to equity holders of Cosco Capital, Inc.	30	P1.40886	P0.37213

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands Pesos)

	<i>Note</i>	Periods Ended June 30	
		2019 (Unaudited)	2018(As Restated)
NET INCOME		P12,082,303	P4,125,774
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss in subsequent periods			
Changes in fair values of financial assets at FVOCI	8	-	-
Item that will never be reclassified subsequently to profit or loss			
Remeasurements of retirement benefits		-	-
Income tax effect		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		P12,082,303	P4,125,774
Total comprehensive income attributable to:			
Equity holders of Cosco Capital, Inc.		P9,881,876	P2,646,449
Non-controlling interests		2,200,426	1,479,325
		P12,082,303	P4,125,774

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Quarter Ended June 30

	2019 (UNAUDITED)	2018 (UNAUDITED)
REVENUE	39,253,299	39,422,037
COST OF SALES AND SERVICES	32,704,533	32,912,374
GROSS PROFIT	6,548,766	6,509,663
OTHER OPERATING INCOME	765,279	707,221
	7,314,045	7,216,884
OPERATING EXPENSES	4,635,445	4,394,791
INCOME FROM OPERATIONS	2,678,600	2,822,093
OTHER INCOME (EXPENSES)	7,969	139,041
INCOME BEFORE INCOME TAX	2,686,569	2,961,133
INCOME TAX EXPENSE	675,957	714,800
NET INCOME FOR THE QUARTER	2,010,613	2,246,333
Net income attributable to:		
Equity holders of the Parent Company	1,336,399	1,417,168
Non-controlling interests	674,214	829,165
	2,010,613	2,246,333
Basic/Diluted earnings per share attributable to equity holders of the Parent Company	0.19053	0.19927

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands Pesos)

	Attributable to Equity Holders of the Parent Company								Total Equity
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Remeasurements of Retirement Benefits - Net of tax	Net Unrealized Gain on Financial Assets at FVOCI	Retained Earnings	Non-controlling Interest		
Balance at January 1, 2019	P7,405,264	P9,634,644	(P1,197,727)	P113,822	P3,420	P44,117,142	P27,185,839		P87,262,404
Net income for the year	-	-	-	-	-	9,881,876	2,200,427		12,082,303
Other comprehensive loss for the period	-	-	-	-	-	-	-		-
Total comprehensive income for the period	-	-	-	-	-	9,881,876	2,200,427		12,082,303
Effect of business combination	37	-	-	-	-	(729,323)	(222,574)		(961,823)
Issuance of shares	104,300	4,531,279	-	-	-	-	-		4,635,579
Acquisition of treasury shares	-	-	(85,740)	-	-	-	-		(85,740)
Cash dividends	-	-	-	-	-	(729,471)	(562,457)		(1,288,928)
Total transaction with owners	104,337	4,531,279	(85,740)	-	-	(1,455,794)	(785,032)		2,309,088
Balance at June 30, 2019	P7,509,601	P14,165,924	(P1,283,466)	P113,822	P3,420	P52,596,535	P28,604,233		P101,707,106
Balance at January 1, 2018, as restated	P7,405,264	P9,634,644	(P628,203)	P28,365	P5,012	P38,622,884	P23,851,825		P78,919,591
Net income for the period	-	-	-	-	-	2,646,449	1,479,325		4,125,774
Other comprehensive loss for the period	-	-	-	-	-	-	-		-
Total comprehensive income for the period	-	-	-	-	-	2,646,449	1,479,325		4,125,774
Acquisition of treasury shares	-	-	(33,314)	-	-	-	-		-
Balance at June 30, 2018	P7,405,264	P9,634,644	(P661,522)	P28,365	P5,012	P41,269,333	P25,330,950		P83,012,047

See Notes to the Consolidated Financial Statements.

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

		Periods Ended June 30	
	Note	2019 (Unaudited)	2018 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P13,543,226	P5,581,965
Adjustments for:			
Depreciation and amortization	11, 12, 13, 21	1,869,046	1,821,421
Interest expense	17,21	824,728	789,921
Gain on sale of investment		(8,010,141)	(362,810)
Interest income	4	(393,136)	(80,398)
Unrealized foreign exchange loss (gain)		(9,451)	(16,508)
Unrealized loss (gain) in financial assets at FVPL	7, 24	(104)	11,623
Share in net loss (income) of joint ventures and associates	10,24	-	(3,468)
Gain on disposal of property and equipment		-	(15,818)
Gain on insurance claim		-	(31)
Retirement benefits cost	26	-	2,216
Dividend income	24	(652)	(642)
Operating income before changes in working capital		7,823,516	7,727,470
Decrease (increase) in:			
Receivables - net		2,625,001	1,837,732
Inventories		406,222	(3,380,702)
Prepaid expenses and other current assets		(787,596)	(395,567)
Due from related parties		(238,812)	19,822
Increase (decrease) in:			
Accounts payable and accrued expenses		(4,047,779)	(3,835,310)
Due to related parties		(16,188)	(11,927)
Other current liabilities		(35,295)	45,613
Other noncurrent liabilities		(70,687)	-
Cash generated from operations		5,658,382	2,007,131
Interest paid		(228,422)	(219,073)
Income tax paid		(1,749,285)	(1,633,047)
Retirement benefits paid		(1,906)	(771)
Net cash provided by operating activities		3,678,769	154,241

Forward

		Periods Ended June 30	
	Note	2019 (Unaudited)	2018 (As Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	11	(P1,733,406)	(P1,805,535)
Investment properties	12	(216,044)	(152,764)
Intangibles	13	(12,078)	(6,483)
Investments	10	-	(65,000)
Proceeds from:			
Sale of investment	33,24	13,149,000	600,000
Disposal of property and equipment		149,550	16,198
Effect of business combination		(1,371,284)	-
Interest received		393,136	80,398
Increase in other noncurrent assets		(2,251,580)	(2,380,980)
Proceeds from insurance claim		-	31
Dividends received		652	642
Increase in oil and mineral exploration		(4,486)	(72)
Net cash used in investing activities		8,103,460	(3,713,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from private placement	28	4,635,580	-
Availment of short-term loans	17	421,370	6,000,500
Payment of short-term loans	17	(4,262,604)	(6,993,500)
Payment of long-term debts	17	(1,489,985)	(621,601)
Cash dividends paid	28	(1,288,928)	(1,200,393)
Buyback of capital stocks	28	(85,740)	(33,319)
Payment of lease liability		(1,271,016)	(993,404)
Net cash used in by financing activities		(3,341,323)	(3,841,717)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		9,451	16,508
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,450,357	(7,384,533)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,784,861	15,353,098
CASH AND CASH EQUIVALENTS AT END OF PERIOD		4 P25,235,218	P7,968,565

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousand Pesos, Except Par Value,
Number of Shares and Per Share Data and Exchange Rates)

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, 2018 and 2017, the Parent Company's public float stood at 24.69% and 26.56%, respectively.

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 aforementioned 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 aforementioned 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. On the same meeting, 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 P74.81 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 interests 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.

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on August 2, 2019.

Basis of Measurement

The Group's consolidated financial statements have been prepared on the historical cost basis of accounting, except for the following items which are measured on an alternative basis on each reporting date:

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

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 thousand pesos (P000), unless otherwise stated.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2019 and December 31, 2018 and for each of the years ended June 30, 2019. The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as "the Group"):

	Effective Percentage of Ownership			
	2019		2018	
	Direct	Indirect	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) ^(a) and Subsidiaries	51 ^(e)	-	51	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	-	51	-	51
◻ S&R Pizza (Harbor Point), Inc.	-	51	-	51
◻ S&R Pizza, Inc.	-	51	-	51
▪ PPCI Subic, Inc. (PSI)	-	51	-	51
▪ Entenso Equities Incorporated (EEI) and Subsidiaries	-	51	-	51
◻ Goldtempo Company Incorporated (GCI) ^(a)	-	51	-	51
◻ Daily Commodities, Inc. ^(a)	-	51	-	51
◻ First Lane Super Traders Co., Inc. ^(a)	-	51	-	51
▪ Purepadala, Inc. ^(c)	-	51	-	-
Liquor Distribution				
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. ^(d)	-	100	-	100
Canaria Holdings Corporation (CHC) and Subsidiaries	90	-	90	-
▪ Liquigaz Philippines Corporation (LPC) ^(b)	-	-	-	90
▪ Calor Philippines Holdings, Inc. (CPHI)	-	-	-	90
Oil and Mining				
Alcorn Petroleum and Minerals Corporation (APMC)	100	-	100	-

^(a) The merger of PPCI, Goldtempo Company Incorporated, Daily Commodities, Inc., and First Lane Super Traders Co., Inc. (PPCI as the absorbing entity), was approved by SEC on November 22, 2017. PPCI adopts January 1, 2018 as the effective date of the merger.

^(b) On October 19, 2018, the Board of Directors authorized the sale of LPC, resulting in classification as a disposal group held-for-sale.

^(c) Incorporated and registered with the Philippine SEC on October 15, 2018 as a money remittance company.

^(d) Incorporated and registered with the Philippine SEC on December 6, 2017 and started its commercial operations in 2018.

^(e) On January 16, 2019, PPCI announces that it conducted a Php4,693,500,000 top-up placement of approximately 104 million common shares at a price of Php45.00 per share. PPCI completed the placement upon the approval by its BOD. This resulted in a dilution of ownership of the Parent Company to PPCI from 51.02% to 49.16%.

All subsidiaries are incorporated in the Philippines and the functional currency is the Philippine peso.

Subsidiaries

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. A subsidiary is an entity that is controlled by the Parent Company (i.e., either directly or through intermediate parent companies within the Group). Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gain control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the separate financial statements of subsidiaries to bring their accounting policies into line with the Group's separate accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

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

- derecognizes the carrying amounts of the assets (including goodwill, if any) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, and the cumulative transaction differences recorded in equity;
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Non-controlling Interests (NCI)

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. If the Group loses control over a subsidiary, it derecognizes assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity; recognizes the fair value of the consideration received, the fair value of any investment retained, and any retained earnings or deficit in consolidated statements of income; and reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate.

Non-controlling interests include the interests not held by the Parent Company in its subsidiaries as follows: PPCI, LPC, CHC and CPHI (see Note 28).

Business Combinations other than under Common Control

Business combinations and acquisition of entities other than those under common control are accounted for using the acquisition method as at the acquisition date - i.e., when control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9, *Financial Instruments* either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, a bargain purchase gain is recognized immediately in the consolidated statements of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units (CGU), or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs, to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU or group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

The Group performs its impairment test of goodwill on an annual basis or earlier whenever events or changes in circumstances indicate that goodwill may be impaired.

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.

Management's Use of Judgments, Estimates and Assumptions

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

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Classification of Financial Instruments

Beginning January 1, 2018, the Group classifies its financial assets depending on the results of the SPPI tests and on the business model used for managing those financial assets.

The SPPI test is the first of two tests that determine the classification of a financial asset. When performing the SPPI test, the Company applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, contingent events that would alter the amount and/or timing of cash flows, prepayment or extension options and other features that may modify the consideration for the time value of money.

The business model assessment (BMA) is the second test. The Group determines its business model at the level that best reflects how it manages groupings of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- a. How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- b. The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- c. The expected frequency, value and timing are also important aspects of the Group's assessment.

The BMA is based on reasonably expected scenarios without taking 'worst case' or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Revenue Recognition on Sale of Goods

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint. (d) recognition of revenue as the Group satisfies the performance obligation.

Revenue is recognized as or when performance obligations are satisfied by transferring control of goods to the customer. Control is transferred at the time of delivery of the products to the customers, and under normal credit terms. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, sale of goods is measured at transaction price or the amount to which the Company expects to be entitled in exchange for transferring goods to customer, net of expected discounts, allowances, and certain payments to customers including but not limited to listing/slotting fees and display allowances for which no distinct goods or service is received.

The Group recognizes its revenue for all revenue streams at a point in time, where the goods are sold and delivered.

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the Group has determined its functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company operates and the currency that mainly influences the revenue and expenses.

Classification of LPC and CPHI as Assets Held for Sale and Presentation as Discontinued Operations

On October 19, 2018, the Group sold all its shares thru CHC in LPC and CPHI to Fernwood Holdings, Inc. in order to maximize shareholders' value and to achieve financial flexibility. The sale is subject to the approval of the Philippine Competition Commission (PCC). On the same date, LPC and CPHI were classified as a disposal group held for sale. However, LPC and CPHI were not presented as discontinued operations as at December 31, 2018 for the following reasons: (1) it does not represent a separate major line of business; (2) there is no single plan to dispose of the separate major line of business; and (3) LPC and CPHI were not acquired exclusively with a view to resale (see Note 33).

Evaluating Classification of Lease Agreements

The Group entered into various lease agreements as a lessee and as a lessor. For lease agreements where the Group is the lessee, the Group determined that the lessors retain all significant risks and rewards of ownership of the properties which are classified as operating leases. For lease agreements where the Group is the lessor, the Group assessed that it retains substantially all the risks and rewards of ownership of the properties which are classified as operating leases.

Determining Whether an Acquisition of Group of Assets Represents Asset Acquisition or Business Combination

At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

When the acquisition of a group of assets does not constitute a business, it is accounted for as an acquisition of assets. The purchase price is allocated to the assets acquired based upon their relative fair values at the date of acquisition and no goodwill or deferred tax is recognized.

Distinction between Investment Properties and Property and Equipment

Management distinguishes whether the Group's land and buildings are investment properties rather than owner-occupied properties or properties held for sale. The distinction of investment properties is based on whether these properties are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business. Moreover, an investment property generates cash flows largely independently of the other assets held by an entity.

Management assessed that the Group's land and buildings are held for rentals and are neither held for sale nor owner-occupied properties. Accordingly, these properties are presented as investment properties (see Note 12).

Determining whether Significant Influence or Control Exist in an Investee Company

Determining whether the Group has significant influence only in an investee requires significant judgment. The Group has significant influence over the investee if it has the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies. Control is achieved when the parent company is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Assessing Joint Arrangements

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

Upon consideration of these factors, the Group has determined that its joint arrangements in AyaGold Retailers, Inc. as joint venture (see Note 10).

Evaluating Useful Lives of Property and Equipment and Investment Properties with Finite Lives

The Group estimates the useful lives of property and equipment and investment properties with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties with finite lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment properties with finite useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment properties with finite lives would increase recorded expenses and decrease non-current assets.

No changes in the estimated useful lives of the property and equipment and investment properties with finite useful lives were made in 2019 and 2018.

The carrying amounts of property and equipment and investment properties amounted to P37.87 billion and P37.18 billion as at June 30, 2019 and December 31, 2018, respectively (see Notes 11 and 12).

Evaluating Useful Lives of Computer Software and Licenses and Leasehold Rights

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

No changes in the estimated useful lives of the computer software and licenses and leasehold rights were made in 2019 and 2018.

The carrying amounts of computer software and licenses and leasehold rights amounted to P231.56 million and P242.86 million as at June 30, 2019 and December 31, 2018, respectively (see Note 13).

Accounting Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Estimating Allowance for Impairment Losses on Receivables

The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors and, 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.

Allowance for impairment losses on receivables amounted to P48.95 million and P40.30 million as at June 30, 2019 and December 31, 2018, respectively. In 2019 and 2018, the Group, did not recognize an additional allowance for impairment losses on receivables because the Group believes that all outstanding receivables are recoverable. The carrying amount of receivables amounted to P4,005.93 million and P6,630.93 million as at June 30, 2019 and December 31, 2018, respectively (see Note 5).

Estimating Realizability of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the 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 carrying amount of deferred tax assets amounted to P400.78 million and P301.40 million as at June 30, 2019 and December 31, 2018, respectively (see Note 27).

Estimating Net Realizable Value (NRV) of Inventories

The Group carries inventories at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (i.e., pre-termination of contracts). The estimate of the NRV is reviewed regularly.

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

No provision for impairment losses on merchandise inventories, liquor, wines and spirits and LPG, autogas and LPG accessories had been recognized in 2019 and 2018.

The carrying amount of inventories amounted to P23.52 Billion and P23.93 Billion as at June 30, 2019 and December 31, 2018, respectively (see Note 6).

Estimating Fair Value of Investment Properties

The fair value of investment properties presented for disclosure purposes is based on market values, being the estimated amount for which the property can be sold, or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Estimated fair value of investment properties is disclosed in Note 12 to the consolidated financial statements. Market data approach is employed in determining the fair market value of the property. This involves the comparison of the subject property with other similar properties which have been sold recently plus current asking prices and offers, thereby establishing a measure of market reaction to the subject property. In the process of comparison, adjustments are usually made to account for its differences with the property on such comparative factors as location, physical characteristics, time and allowances for bargaining. The fair value of the investment properties is classified as Level 2 in the fair value hierarchy.

Assessment of Impairment on Property and Equipment, Investment Properties, Computer Software and Licenses, Leasehold Rights, Deferred Oil and Mineral Exploration Costs, Investments in Associates and Joint Ventures

PFRS require that an impairment review be performed on property and equipment, investment properties, computer software and licenses, leasehold rights, deferred oil and mineral exploration costs, investments in associates and joint ventures when events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the results of operations.

In 2019 and 2018, no impairment loss was recognized on the Group's property and equipment, investment properties, computer software and licenses, leasehold rights, deferred oil exploration costs, investments in associates and joint ventures. As at June 30, 2019 and December 31, 2018, deferred mineral exploration cost was fully impaired (see Note 14).

Impairment of Goodwill, Trademarks and Customer Relationships

The Group performed its annual impairment test as at December 31, 2018. The recoverable amount of each CGU has been determined based on a value-in-use (VIU) calculation using cash flow projections from financial budgets based on long range plans approved by management.

The VIU is based on cash flows projections for five (5) years using a terminal growth rate of 5.00% and 1.00% to 3.00% in 2018 and 2017, respectively, and discount rates of 13.00% and 10.32% to 10.96% in 2018 and 2017, respectively. The values assigned to the key assumptions have been updated to reflect the demand for products and services and are based on internal sources (i.e., historical data).

VIU is the most sensitive to changes in discount rate and growth rate.

- Growth Rate Estimates

Growth rates include long-term and terminal growth rates that are based on past experiences and strategies being developed by the management for each segment. The outlook for the industry was also considered in estimating the growth rates. A change in the long-term growth rate by 2.00% to 4.00% would not result to impairment.

- Discount Rates

The Group uses the weighted-average cost of capital (WACC) as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on publicly available market data. An increase in discount rate of 8.40% to 10.82% and 0.08% to 6.00%, in 2018 and 2017, respectively, would result in impairment.

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

Estimating Retirement Benefits

The present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. The defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

As of June 30, 2019 and December 31, 2018, the Group's present value of defined benefit obligations is shown in Note 26 to the consolidated financial statements.

3. Summary of Significant Accounting Policies

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

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

The Group has adopted the following new standards, amendments to standards and interpretations starting January 1, 2018 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.

Effective January 1, 2019

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

The following table summarizes the impacts of adopting PFRS 16 retrospectively on the Group's consolidated financial statements:

Consolidated Statement of Financial Position

<i>(In thousands pesos)</i>	As Previously Reported	Adjustments	As Restated
January 1, 2018:			
Deferred tax assets	P64,438	274,165	P338,603
Right-of-use assets	-	18,606,889	18,606,889
Deferred tax liabilities	(774,280)	135,129	639,151
Lease liability	-	20,882,263	20,882,263
Retained earnings	38,147,383	475,500	38,622,884

Consolidated Statement of Comprehensive Income

<i>(In thousands pesos)</i>	As Previously Reported	Adjustments	As Restated
June 30, 2018:			
Operating expenses	8,923,308	(513,062)	8,410,246
Other income (charges)	207,148	(543,805)	(336,657)

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

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group is currently assessing the potential impact of Philippine Interpretation IFRIC-23 and plans to adopt on the required effective date.

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

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

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

The Group applied PFRS 9 using modified retrospective approach, and chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior period is not restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9.
- The Company discloses the accounting policies for both current and comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at December 31, 2017.
- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application is recognized in the opening retained earnings or other component of equity, as appropriate.
- As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

As at January 1, 2018, the Group has reviewed and assessed all of its existing financial assets.

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

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

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group's financial statements.

Impairment of Financial Assets

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

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

Hedge Accounting

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

- *PFRS 15, Revenue from Contracts with Customers* replaces *PAS 11 Construction Contracts*, *PAS 18, Revenue*, *IFRIC 13, Customer Loyalty Programmes*, *IFRIC 18, Transfer of Assets from Customers* and *SIC-31, Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

PIC Q&A on Advances to Contractors

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

<i>(In thousands pesos)</i>	Current Assets	Noncurrent Assets
Advances to contractors and suppliers	(P215,534)	P215,534

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

Standards Issued But Not Yet Adopted

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

Effective January 1, 2020

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

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

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

The Group is currently assessing the potential impact of these amendments and plans to adopt on the required effective date.

- *Annual Improvements to PFRSs 2015 - 2017 Cycle*. This cycle of improvements contains amendments to four standards:
 - *Previously held interest in a joint operation (Amendments to PFRS 3 Business Combinations and PFRS 11 Joint Arrangements)*. The amendments clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

The amendments apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning

on or after 1 January 2019. Earlier application is permitted.

- *Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12 Income Taxes)*. The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e. in profit or loss, OCI or equity.

The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

- *Borrowing costs eligible for capitalization (Amendments to PAS 23 Borrowing Costs)*. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool.

The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The amendments are applied to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies the amendments.

- *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.

The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

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

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

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

The Group is currently assessing the potential impact of these amendments and plans to adopt on the required effective date.

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

- *Amendments to PFRS 9 Prepayment Features with Negative Compensation*
- *Annual Improvements to PFRS Standards 2015-2017 Cycle - various standards*
- *Plan Amendment, Curtailment or Settlement (Amendments to PAS 19 Employee Benefits)*
- *Definition of Material (Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Error)*

Cash and Cash Equivalents

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.

Short-term Investments

Short-term investments pertain to money market placements with maturities of more than three months to one year from dates of placement and are subject to an insignificant risk of change in values.

Financial Instruments

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Liabilities

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

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

Debt Issue Costs

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

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

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

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

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

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

Financial Assets

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

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

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

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

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

The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at March 31, 2019 and December 31, 2018.

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

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

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

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

As at June 30, 2019 and December 31, 2018, the Group's financial assets and financial liabilities consist of cash on hand, loans and receivables, financial assets at FVPL, financial assets at FVOCI and other financial liabilities.

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

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

As at June 30, 2019 and December 31, 2018, this category includes the Group's quoted equity securities. Prior to adoption of PFRS 9, these financial assets were classified as AFS financial assets.

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

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

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

Debt Issue Costs

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

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

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

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

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

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

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

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

The Group's accounts payable and accrued expenses, loans payable (both short-term loans and long-term debts), due to related parties and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and retirement benefits liability) (see Notes 16, 17, 18, and 25) are included in this category.

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

Impairment of Financial Assets

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

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

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

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

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

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

- the debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- the debtor is past due more than 90 days on any material credit obligation to the Group.

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

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

Offsetting Financial Instruments

Financial assets and financial 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 legal right to offset the recognized amounts and there is an 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 at gross amounts in the consolidated statements of financial position.

Customers' Deposits

Refundable noninterest-bearing security deposits from customers under operating lease agreements are initially valued at the fair values based on its present values of the estimates future cash flows. The difference between the cash received and its fair value is recorded as unearned rent income in the consolidated statements of financial position and is amortized to rental income over the lease term. Subsequently, the customers' deposits are carried at amortized cost using the effective interest method.

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.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy, as explained above.

Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories include merchandise inventories, liquefied petroleum gas (LPG), autogas, and LPG accessories and 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
LPG, autogas, and LPG accessories	- Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using weighted average method

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

Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Other current assets are classified in the consolidated statements of financial position as current assets when the cost of goods and services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Investments in Associates and Joint Ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of the investee, but not control over those policies.

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

The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in the profit or loss of the associate is recognized as "Share in net income (loss) of joint ventures and associates" account in profit or loss. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture's other comprehensive income. The Group's share of those changes is recognized in the consolidated statements of income. Unrealized gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate or joint. Such impairment loss is recognized in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the statements of income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

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

	Number of Years
Buildings	15 - 30
Storage tanks	25 - 40
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.

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.

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.

Intangible Assets

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

Intangible assets with finite useful lives are amortized over their useful economic lives and assessed for impairment whenever there is indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss in the expense category consistent with the function of the intangible assets. Computer software and licenses and leasehold rights has finite useful lives. Amortization is computed on a straight-line basis over the estimated useful lives of the intangible assets with finite useful lives as follows:

	Number of Years
Computer software and licenses	5
Leasehold rights	20

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

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

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

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 impairment 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.

Impairment of Non-financial Assets

The Company assesses at end of each reporting period whether there is indication that the noncurrent non-financial assets, other than inventories and deferred tax assets, may be impaired. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or the CGU are written down to their recoverable amounts. The recoverable amount of the noncurrent non-financial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants less the incremental cost directly attributable to disposals. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

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

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.

PPCI enters into a non-contributory multi-employer plan which is accounted for as a defined benefit plan. PPCI 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 PPCI'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 PPCI to the Retirement Fund.

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

Capital Stock

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of any tax effects, and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Own equity instruments which are reacquired (treasury shares) 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.

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.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to shareholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Revenue Recognition

Prior to January 1, 2018, under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that economic benefits will flow to the Group's operating segments and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding any discounts, rebates, returns and sales taxes.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Sale of Goods

Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Accordingly, advances received prior to delivery of goods are recorded as unearned revenues and are earned upon physical delivery and acceptance by customer. Unearned revenues are classified as current liabilities.

Production Lifting

Revenue is recognized at the time of oil lifting on an entitlement basis where revenue is allocated and distributed among the joint venture partners and the Philippine government based on the participating interest in a specific contract area.

Other Operating income

Other operating income includes commissions, retail display allowances, share from sale of goods under concession arrangements, membership fees, display or slotting fees, and in-store demos and sampling fees and other miscellaneous income which are recognized at the point in time. These are recognized to the extent that the economic benefits will flow to the Company and the amounts can be measured reliably.

Revenues outside the scope of PFRS 15:

Rental

Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease, as applicable. It also includes chargeable utilities and common usage service area (CUSA) fees which are recognized and billed based on monthly consumption and/or fixed rate per leased area, whichever is applicable.

Interest Income

Interest income pertains to income recognized as the interest accrues using the effective interest method.

Dividend Income

Dividend income is recognized when the Group's right to receive payment is established.

Cost and Expense Recognition

Costs and expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized when they are incurred. The following specific recognition criteria must also be met before costs and expenses is recognized:

Cost of Sales

Cost of goods sold includes the purchase price of the goods sold, as well as costs that are directly attributable in bringing the inventory to its intended condition and location. These costs include the cost of transporting and handling the goods, and other incidental expenses.

Cost of Sales

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

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

Cost of services pertains to direct expenses incurred in relation to the management of the Group's investment properties. These costs include real property taxes, depreciation, repairs and maintenance, utilities, and other related expenses.

Operating Expenses

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

Borrowing Costs

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. Other borrowing costs are expensed as incurred.

Income Taxes

Current Tax

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

Deferred Tax

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable 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.

Leases

At inception of contract, the Group assesses whether a contract is or contain a lease. A contract is or contains lease if the contract conveys the right to control the used 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 physically 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 the 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 this right when it has the decision-making rights that are the 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 is 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.

The Group has applied this approach to contracts entered into or changed on or after January 1, 2019.

At inception or on assessment 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 lease component.

Group 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 to 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 the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is 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 asset or the end of the lease term. The estimated useful lives of 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 measure 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 rate as the discount rate.

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

- 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 to terminate early.

The lease liability is measure at amortized cost using 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 amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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.

The Group presents right-of-use assets that do not meet the definition of the investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

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 machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

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.

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.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 30 to the consolidated financial statements.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

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

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects 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 an interest expense.

Contingencies

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

Basic and Diluted Earnings Per Share (EPS)

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

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account consists of:

<i>(In thousand pesos)</i>	Note	2019	2018
Cash on hand		P845,408	P1,189,303
Cash in banks	31, 32	15,904,315	4,849,703
Money market placements	31, 32	8,485,495	10,745,855
		P25,235,218	P16,784,861

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 2.65%% to 4.25%% in 2019 and 0.30% to 3.75% in 2018.

Interest income earned from cash in banks and money market placements amounted to P393.14 million and P80.40 million in 2019 and 2018, respectively.

5. Receivables

This account consists of:

<i>(In thousands pesos)</i>	Note	2019	2018
Trade receivables		P2,924,595	P5,069,825
Non-trade receivables		956,199	1,475,718
Others		174,079	125,682
		4,054,873	6,671,225
Less allowance for impairment losses on trade receivables		(48,947)	40,298
	31, 32	P4,005,926	P6,630,927

Trade receivables consist of receivables from retail, specialty retail, liquor distribution and real estate and property leasing segments. These pertain to credit sales significantly from the respective company's credit card acquiring banks as well as credit account holders. These are noninterest-bearing and are generally on a 3-to-90 day credit terms.

Nontrade receivables include receivables from tenants that sublease spaces in the group's retail segment. These also include receivables from suppliers with respect to retail display allowances, share from sale of goods under concession arrangements, display or slotting fees, and in-store demos and sampling fees. These are noninterest-bearing and are generally collectible within 30 to 60 days. The remaining balance consists of noninterest-bearing advances to officers and employees which are due to be liquidated within one year or through salary deduction.

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

<i>(In thousands pesos)</i>	2019	2018
Beginning balance	P40,298	P134,420
Provisions during the year	-	12,798
Effect of consolidation	8,649	-
Reclassification to assets classified as held-for-sale	-	(106,920)
Ending balance	P48,947	P40,298

6. Inventories

This account consist of:

<i>(In thousands pesos)</i>	Note	2019	2018
At cost:			
Merchandise inventories		P19,779,468	P20,200,962
Liquors, wines and spirits		3,745,966	3,730,695
	20	P23,525,434	P23,931,657

Inventory charged to cost of sales amounted to P62.70 billion and P62.80 billion in 2019 and 2018, respectively (see Note 20).

7. Financial Assets at FVPL

This account represents the Group's investments in stocks listed in the PSE which are accounted for at FVPL. There is no change in management's intention to hold the investments for trading purpose.

The fair values presented have been determined directly by reference to published prices quoted in the PSE as at reporting dates.

Net changes in fair value of investments in trading securities is included in Others - net under "Unrealized valuation gain (loss) on investments in trading securities" account in the consolidated statements of income (see Note 25).

8. Financial Assets at FVOCI

This account consists of:

<i>(In thousands pesos)</i>	Note	2019	2018
Investments in shares of stock			
Quoted	32, 33	P5,956	P5,956
Unquoted	32, 33	2,304	2,304
		8,260	8,260
Investments in equity securities	33, 34	7,262	7,262
		15,522	15,522
Less current portion		7,026	7,026
Non-current portion	11	P8,496	P8,496

The movements in the financial assets are as follows:

<i>(In thousands pesos)</i>	2019	2018
Balance at beginning of year	P14,905	P16,497
Unrealized fair value gains (losses)	-	(1,592)
Balance at end of year	P14,905	P14,905

The movements in the unrealized fair value changes of financial assets are as follows:

<i>(In thousands pesos)</i>	2019	2018
Balance at beginning of year	P3,420	P5,012
Change in fair value during the year	-	(1,592)
Effect of consolidation	-	-
Balance at end of year	P3,420	P3,420

Quoted shares of stock represents investments in listed equity securities in the PSE and are readily marketable at the option of the Group.

Unquoted shares of stock represent investments in an unlisted entity incorporated in the Philippines and club shares. These investments are carried at fair value.

Investments in equity securities represent preferred shares in Manila Electric Company which are acquired in connection with the installation of electrical systems for the various stores and offices of the retail segment.

9. Prepaid Expenses and Other Current Assets

This account consists of:

<i>(In thousands pesos)</i>	2019	2018
Prepaid expenses	P1,884,956	P1,646,496
Input VAT	1,027,327	626,808
Advances to suppliers	730,097	469,961
Creditable withholding tax	56,095	39,881
Deferred input VAT - current	1,647	190,966
Others	14,331	10,405
	P3,714,453	P2,984,517

The details of prepaid expenses are as follows:

<i>(In thousands pesos)</i>	2019	2018
Taxes and licenses	P1,206,641	P1,024,755
Rent	410,555	375,291
Insurance	106,322	102,716
Advertising and promotion	74,139	88,984
Supplies	24,257	26,060
Repairs and maintenance	8,395	6,128
Others	54,647	22,562
	P1,884,956	P1,646,496

Input VAT represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services subjected to VAT.

Advances to suppliers pertain to partial down payments made by the liquor distribution segment to foreign suppliers which will be applied against future billings.

Creditable withholding tax pertains to the tax withheld at source by the Group's customers and is creditable against the income tax liability of the Group.

Advances to contractors pertain to the Group's advances and down payments for the purchase of construction materials and supplies and contractor services. These are liquidated every progress billing payments.

Deferred input VAT represents accumulated input VAT from purchases of capital goods above P1.0 million. This is amortized for a period of five (5) years.

10. Investments

This account consists of:

<i>(In thousands pesos)</i>	Note	2019	2018
Investments in associates		P433,543	P433,543
Investments in joint ventures		169,632	169,632
Financial assets at FVOCI - noncurrent	8	7,879	7,879
		P611,054	P611,054

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 pesos)</i>	Percentage of Ownership		Carrying Value	
	2019	2018	2019	2018
Associates:				
San Roque Supermarkets Retail Systems, Inc. (SRS)	49	49	P433,543	P433,543
Joint ventures:				
AyaGold Retailers, Inc. (AyaGold)	50	50	169,632	169,632
			P603,175	P603,175

All associates and joint ventures are incorporated in the Philippines.

Investments in Associates

SRS

On December 4, 2013, the Group through Entenso acquired interest in SRS for a total cost of P371.90 million. The acquisition represents 49.34% of SRS' total outstanding common shares. SRS operates 'San Roque Supermarket' stores and 'San Roque Pharmacy' stores in Metro Manila.

On February 28, 2014, the SEC approved the increase in authorized capital stock of SRS. Subsequently, on October 31, 2014, the Group through Entenso subscribed and paid for additional 190,008 common shares for a total cost of P19.00 million, representing 49.34% of the increase in the authorized capital stock of SRS.

PLBRC

The Group's interest in PLBRC is held indirectly at an effective interest of 45% through LPC (at 20% interest) and through CPHI (at 30% interest). PLBRC is primarily engaged in the business of acquiring, developing and leasing real estate properties to joint venture.

As of December 31, 2018, the investment in PLRBC is presented as part of "assets held-for-sale" (see Note 33). The sale transaction of Liquigaz, holding investment over PLRBC, was approved by PCC on January 16, 2019 and subsequently completed on February 13, 2019.

Following are the unaudited condensed financial information of associates and reconciliation of the summarized financial information to the carrying amount of the Group's interest in the associates as of and for the period and year ended June 30 and December 31:

<i>(In thousands pesos)</i>	SRS	
	2019	2018
Current assets	P3,955,182	P3,955,182
Noncurrent assets	221,748	221,748
Current liabilities	3,825,817	3,825,817
Noncurrent liabilities	18,405	18,405
Net assets	P332,708	P332,708
Group's share in net assets	P164,158	P164,158
Goodwill	276,058	276,058
Carrying amount of the investment	P440,216	P440,216
Revenue	P-	P7,006,180
Net income/total comprehensive income	P-	P13,526
Group's share in comprehensive income for the year	P-	P6,674

AyaGold

On July 8, 2013, the Group through Entenso entered into a joint venture agreement with Varejo Corp. (now ALI Capital Corp.), a subsidiary of Ayala Land, Inc. (both companies are incorporated in the Philippines), to incorporate AyaGold Retailers, Inc. AyaGold owns and operates 'Merkado Supermarket' stores which will be established in Ayala-run shopping malls.

Entenso contributed cash to AyaGold upon its incorporation in 2013 amounting to P60 million representing its 50% interest in the joint venture.

MJVC

MJVC is a 50-50 joint venture between LPC and Total Petroleum Philippines Corporation [now Total (Philippines) Corporation]. MJVC is organized primarily to manage, operate and maintain jetties and equipment installed for its benefit and/or for the benefit of owners/operators of storage facilities for oil products and/or LPG and loading facilities and all related equipment; own, manage, operate, upgrade and maintain ancillary facilities dedicated for the common use by the users of the storage facilities, LPG storage tanks, loading facilities and all related equipment; and perform consultancy, supervision and management services concerning the development and/or redevelopment of jetties and the upgrading of equipment and dedicated ancillary facilities installed.

As of December 31, 2018, the investment in MJVC is presented as part of “assets held-for-sale” (see Note 33). The sale transaction of Liquigaz, holding investment over PLRBC, was approved by PCC on January 16, 2019 and subsequently completed on February 13, 2019.

Following are the unaudited condensed financial information of joint ventures and reconciliation of the summarized financial information to the carrying amount of the Group’s interest in the joint ventures as of and for the years ended June 30 and December 31:

<i>(In thousands pesos)</i>	PG Lawson		AyaGold	
	2019	2018	2019	2018
Current assets	P -	P -	P269,268	P259,268
Noncurrent assets	-	-	206,524	206,524
Current liabilities	-	-	137,334	137,334
Noncurrent liabilities	-	-	65,000	65,000
Net assets	P -	P -	P263,458	P263,458
Group’s share in net assets	P -	P -	P131,729	P131,729
Goodwill	-	-	1,883	1,883
Carrying amount of the investment	P -	P -	P133,612	P133,612
Revenue	P -	P206,631	P -	P607,392
Net income (loss)/ total comprehensive income (loss)	P -	(P32,005)	P -	P25,533
Group’s share in comprehensive income (loss) for the year	P -	(P22,403)	P -	P12,766

11. Property and Equipment

The movements and balances of this account as at and for the period and year ended June 30 and December 31 consist of:

<i>(In thousands pesos)</i>	Land	Buildings	Storage Tanks	Furniture and Fixtures	Office and Store Equipment	Transportation Equipment	Leasehold Improvements	Wells, Platforms and Other Facilities	Construction in-progress	Total
Cost										
December 31, 2017	P3,710,269	P10,712,523	P1,574,922	P2,667,686	P8,236,044	P368,717	P9,414,405	P204,955	P1,791,890	P38,903,411
Additions	30,448	244,656	71,901	166,003	974,428	17,602	676,026	-	1,674,120	4,074,184
Reclassifications	369,336	975,122	15,015	35,233	333,286	-	1,053,421	-	(2,391,817)	389,596
Disposals	-	-	(2,865)	(4,274)	(34,802)	(1,081)	(11,374)	-	(35,960)	(90,156)
Assets held for sale	(30,448)	(2,522,877)	(1,153,744)	(71,337)	(508,229)	(138,289)	-	-	(94,034)	(4,518,956)
December 31, 2018	4,079,605	9,409,424	462,185	3,032,274	9,009,708	246,949	11,132,478	204,955	1,180,159	38,757,717
Additions	-	98,704	178	124,999	451,533	7,600	179,068	-	833,545	1,995,625
Reclassifications	-	139,560	1,475	8,053	145,373	380	408,580	-	(665,622)	37,779
Disposals	-	-	-	(28,347)	(180,238)	-	-	-	-	(188,585)
June 30, 2019	4,079,605	9,647,689	507,078	3,139,018	9,439,398	254,628	11,720,106	204,955	1,312,121	40,304,698
Accumulated Depreciation and Amortization										
December 31, 2017	-	3,014,727	567,447	1,411,672	5,049,167	281,698	1,910,890	44,918	-	12,280,709
Depreciation and amortization	-	302,929	74,328	230,360	1,003,551	34,115	587,755	-	-	2,213,058
Disposals	-	-	-	(2,248)	(26,427)	-	(4,904)	-	-	(33,579)
Reclassifications	-	40,303	204	1,832	1,701	711	114	-	-	44,865
Assets held for sale	-	(1,130,339)	(589,322)	(6,015)	(201,081)	(108,372)	-	-	-	(2,091,129)
December 31, 2018	-	2,227,620	52,657	1,579,821	5,826,911	208,352	2,473,645	44,918	-	12,413,824
Depreciation and amortization	-	137,818	6,506	117,969	500,471	18,391	283,832	-	-	1,062,967
Disposals	-	-	-	(343)	(38,692)	-	-	-	-	(37,035)
Reclassification	-	-	-	(1,357)	1,357	-	-	-	-	-
June 30, 2019	-	2,365,437	59,163	1,696,089	6,292,047	224,741	2,757,477	44,918	-	13,439,672
Carrying Amounts										
December 31, 2018	P4,079,605	P7,181,804	P409,508	P1,452,453	P3,182,797	P38,597	P8,658,833	P160,037	P1,180,159	P26,343,793
June 30, 2019	P4,079,605	P7,282,252	P447,918	P1,442,927	P3,147,351	P30,187	P8,962,631	P199,873	P1,312,121	P28,865,026

Transfer from property and equipment with net book value amounting to P344,731 pertain to transfer of "Buildings" account to "Investment properties" due to the change in use as determined by the management.

Depreciation and amortization charged to profit and loss are as follows:

<i>(In thousands pesos)</i>	<i>Note</i>	2019	2018
Cost of sales	20	P -	P99,567
Operating expenses	23	1,745,806	1,636,410
		P1,745,806	P1,735,977

12. Investment Properties

This account consists of:

	Land	Building	Construction in progress	Total
Cost				
January 1, 2018	P6,551,644	P4,632,538	P567,375	P11,751,557
Additions	5,267	53,818	250,182	309,267
Reclassification	-	537,296	(533,906)	3,390
Reclassifications to Asset held for Sale	(60,989)	(55,551)	-	(116,540)
December 31, 2018	6,495,922	5,168,101	283,651	11,947,674
Additions	76,220	-	109,533	185,753
Reclassification	-	29,295	997	30,292
June 30, 2019	6,572,142	5,197,396	394,181	12,163,719
Accumulated Depreciation				
January 1, 2018	-	997,950	-	997,950
Depreciation	-	121,290	-	121,290
Reclassifications to Asset held for Sale	-	(8,184)	-	(8,184)
December 31, 2018	-	1,111,056	-	1,111,056
Depreciation	-	42,619	-	42,619
June 30, 2019	-	1,153,675	-	1,153,675
Carrying amounts				
December 31, 2018	P6,495,922	P4,057,045	P283,651	P10,836,618
June 30, 2019	P6,495,922	P4,043,721	P394,181	P11,010,044

Transfers from investment property amounting P5,270 pertain to transfer of "Construction in-progress " account to "Property and equipment" due to the change in use as determined at the end of construction or development.

Depreciation expense are charged to cost of sales (see Note 20).

As at June 30, 2019 and December 31, 2018, the fair value of the investment properties amounted to P23.5 billion based on independent appraisals obtained in 2012. 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 2 under the fair value hierarchy. Management believes that the appraisal in 2012 is still applicable for disclosure purposes as at June 30, 2019 and December 31, 2018 as there are no significant changes in the condition of its land and buildings.

The rental income earned by the real estate and property leasing segment of the Group from these properties amounted to 917.51 million and P843.32 million in 2019 and 2018, respectively (see Note 21).

Direct costs incurred pertaining to the lease of these properties amounted to P531.95 million and P500.82 million in 2019 and 2018, respectively (see Note 21).

13. Intangibles and Goodwill and Business Combination

This account consists of:

<i>(In thousands pesos)</i>	2019	2018
Goodwill	P16,253,526	P16,253,526
Trademark	3,709,661	3,709,661
Customer relationships	889,453	889,453
Leasehold rights	52,998	54,882
Computer software and licenses - net	178,566	187,980
	P21,084,204	P21,095,502

Goodwill

The goodwill represents the excess of the total acquisition cost over the fair value of the identifiable assets and liabilities assumed on the acquisitions made by the Group.

<i>(In thousands pesos)</i>	2019	2018
Retail		
KMC	P12,079,474	P12,079,474
Budgetlane Supermarkets	837,974	837,974
Gant	742,341	742,341
NE Supermarkets	685,904	685,904
Company E	358,152	358,152
B&W Supermart	187,204	187,204
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

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

On September 26, 2017, PPCI acquired the fixed assets and rights of B&W Supermart and took over the operations of five (5) supermarkets located in Roxas City, Capiz.

The Group completed the purchase price allocation exercise on the acquisition of B&W Supermart. The identifiable net assets at fair value are based on provisional amounts as at the acquisition date which is allowed under PFRS 3, *Business Combination*, within one year from the acquisition date.

The following summarizes the consideration transferred, and the recognized amounts of net assets acquired at the acquisition date:

Acquisition cost	P270,000
Fair value of <u>property and equipment</u>	82,796
Goodwill	P187,204

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

For the three months ended December 31, 2017, B&W Supermart contributed revenue of P70.77 million and net loss of P4.42 million to the Group's results.

Leasehold Rights

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

The movements and balances of leasehold rights and computer software and licenses as at and for the period and year ended June 30 and December 31 consists of:

	Computer Software and Licenses	Leasehold Rights
Cost		
Balance, December 31, 2017	P376,794	P75,355
Additions	41,705	-
Adjustments	(213)	-
Reclassifications to Assets Held for Sale	(33,952)	-
Balance, December 31, 2018	384,334	75,355
Additions	12,078	-
Balance, June 30, 2019	396,412	75,355
Accumulated Amortization		
Balance, December 31, 2017	188,182	16,706
Amortization	37,392	3,768
Reclassifications to Assets Held for Sale	(29,220)	-
Balance, December 31, 2018	196,354	20,473
Amortization	21,492	1,884
Balance, June 30, 2019	217,846	22,357
Carrying Amount		
Balance, December 31, 2018	P187,980	P54,882
Balance, June 30, 2019	P178,566	P52,998

Amortization is charged to operating expenses (see Note 23).

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

<i>(In thousands pesos)</i>	Note	Participating Interest	2019	2018
I. Oil exploration costs:				
SC 14	<i>a</i>			
Block C2 (West Linapacan)		6.12%	P55,554	P55,347
Block D		5.84%	8,071	8,071
Block B1 (North Matinloc)		13.55%	4,194	2
			67,819	63,420
SC 6A	<i>b</i>	1.67%		
Octon Block			17,406	17,355
North Block			600	600
SC 6B (Bonita)	<i>d</i>	8.18%	8,027	8,027
			26,033	25,982
SC 51	<i>c</i>		32,817	32,817
Other oil projects			527	527
			33,344	33,344
Balance at end of year			127,196	122,746
II. Mineral exploration costs:				
Nickel project	<i>e, f</i>	100.00%	19,208	19,208
Anoling gold project	<i>g</i>	3.00%	13,817	13,817
Gold projects	<i>h</i>	100.00%	13,036	13,036
Cement project	<i>i</i>	100.00%	9,603	9,603
Other mineral projects	<i>j, k</i>		382	382
			56,046	56,046
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:			(56,046)	(56,046)
Balance at end of year			-	-
III. Other deferred charges			619	619
			P127,851	P123,365

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.

a) SC 14 Gabon - Etame, Offshore Gabon, West Africa

On February 23, 2001, Cosco executed Heads of Agreement (HOA) and Deed of Assignment with Sojitz Etame, Ltd. (formerly Nissho Iwai Corporation of Japan) for its 2.625% interest in Etame oil field in Gabon, West Africa. The agreements provide that payment of capped amount of US\$1,000,000 conditioned on production out of revenue derived from the assigned Participating Interest (2.428%) of 15% of Profit Oil [as defined in the Joint Operating Agreement (JOA)], payable quarterly and in accordance with the following:

- (i) should the amount of proved recoverable reserves as submitted in the Development Plan by the Operator be less than 65 million barrels in the Etame Exploration Blocks, Buyer shall pay US\$800,000; and
- (ii) should the oil reserves be greater than 65 million barrels, Buyer shall pay an additional amount of US\$200,000.

As at December 31, 2011, the Parent Company already received US\$800,000 (peso equivalent: P35.1 million) as proceeds on production of 65 million barrels.

The Parent Company is still seeking the additional US\$200,000 (peso equivalent: P8.8 million) as stated in provision (ii) of the above agreement for the computed oil reserves in excess of 65 million barrels as at December 31, 2012.

In 2018, continuous geological and geophysical evaluation integrates with the results of the different projects and studies into the potential of the SC14 block. The Consortium is reviewing production viability and is receiving interest from other parties.

In 2019 and 2018, additional deferred charges amounting to P4,194 million and P0.323 million, respectively, was capitalized.

b) SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines

The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data. As at December 31, 2018, the Company 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, Philodrigill, 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 Company 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 2019 and 2018, additional deferred charges amounting to P0.55 million and P0.94 million were capitalized, respectively.

c) SC 51 - East Visayan Basin

The contract area is defined by two (2) separate blocks, namely (1) an on shore-off shore block over Northwest Leyte and (2) a deepwater block in the Cebu Strait. The Parent Company together with other members of the SC 51 Consortium, assigned their collective 80% interest to NorAsian Energy Limited (NorAsian) in consideration for the latter to conduct and finance the seismic survey and drill one well.

In a DOE letter dated June 20, 2009, DOE informed the Operator NorAsian that Executive Order No. 10 dated May 29, 2009 has been issued by the Cebu Provincial Governor which effectively lifts the Cease and Desist Order along the municipal waters of Argao, Sibonga and Cebu.

In line with this, DOE instructs NorAsian to resume petroleum exploration activities in the service contract area.

In July 2011, NorAsian has executed a farm-out of its SC-51 participating interest to Swan Oil and Gas (SWAN). The agreement has been approved by the SC51 Joint Venture Partners and the DOE. In the Consortium meeting on October 27, 2011, NorAsian informed the partners that DOE has accepted DUHAT-1 as compliance of its 3rd Sub-Phase work program. DOE has also approved the 100 kilometers of 2D seismic data acquisition in on-shore Leyte as its commitment for the 4th Sub-Phase work program rather than drill another well onshore.

NorAsian has elected to discontinue its participation in the South block and with the drilling of Argao prospect. NorAsian will give to SWAN all of its 80% participating interest and its operatorship in the Southern block. NorAsian will still retain a 40% working interest in the Northern block and the remaining 40% to SWAN.

Relative thereto, SWAN has requested the Filipino partners to approve the revised Farm in agreement. The Farm-in agreement revisions was approved subsequently but remained unexecuted as at December 31, 2011.

In the first half of 2012, after trying to raise funds for its committed drilling program, SWAN was unable to show proof of its financial capability and its commitment to drill the Argao structure in due time as per provisions of the amended Farm-In Agreement. The Filipino partners in the South Block declared SWAN in default of its Farm-In Agreement commitments. Otto Energy (Otto) also declared SWAN in default of its JOA commitments in the North Block. SWAN contested the default but later settled amicably in September 2012, after it was able to secure a reasonable walk-away package from Otto.

After SWAN's exit from the SC-51 contract area, Frontier Oil Corporation (Frontier) manifested its interest to become Operator of SC-51 South Block and has agreed to the key terms of the proposed Farm-In Agreement. Frontier Oil was still within its requested due diligence period when the year ended. A third party, Arex Energy, was commissioned by Frontier to conduct due diligence study of the block. Frontier requested for an extension until January 31, 2013 before it decides on its option.

On July 2012, 102 line kilometers of seismic lines were completed by the seismic survey party in the North Block. The Seismic survey was completed under budget despite a month-long cessation of operation due to the military stand-off between China and the Philippines at the Scarborough Shoals. Initially-processed seismic lines disclosed very promising seismic features and more enhanced drilling target. The confidence of optimally locating the proposed Duhat-2 is now much higher.

Otto informed that its Board has already approved the drilling budget of \$6,600,000 for next year's drilling program which is likely to occur during third quarter of 2013. A much larger rig is being sought for the drilling Duhat 2 to avoid the problem in Duhat 1/1A. So far, two serious drilling outfits heeded the call for rig by Otto.

In 2013, Otto Energy, despite its two failed wells, has declared a mean probable reserve of more than 20MBO.

As at June 30, 2019 and December 31, 2018, there were no further developments on the said project.

d) SC 6B (Bonita) - Offshore Northwest Palawan, Philippines

The SC 6B Bonita oil field is located in Offshore Northwest Palawan adjacent to Matinloc. Currently, Venture Oil is evaluating the area for development. On October 28, 2011, Peak Oil and Gas Philippines Ltd, Blade Petroleum Philippines Ltd, and Venture Oil Philippines Inc signed a Farm-In agreement with SC-6B joint venture partners to acquire 70% of the consortium's aggregate participating interests. After executing the Deed of Assignment and Assumption of Interest, the Parent Company as at December 31, 2011 has a residual participating interest of 2.11% from the original 7.03% after the farm-out.

The impending expiry of SC 6B-Bonita Block was also resolved in a DOE letter of June 17, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Bonita Block subject to terms and conditions.

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 the last quarter of 2012, Philodrill, as previous operator of Bonita, served notice to the current Group of Operators that the farmers are cancelling the farm-in agreement.

In 2016, additional deferred charges amounting to P72 was capitalized.

As at June 30, 2019 and December 31, 2018, there were no further developments on the said project.

e) Exploration Permit Application No. 175-IVB - Nickel Project Aborlan, Palawan

An Order of Denial has been issued by MGB-IVB during the last quarter of 2010 due to inactivity and lack of NCIP clearance among others. The Parent Company submitted a letter of reconsideration and MGB-IVB granted a temporary reprieve in order for the Parent Company to show commitment in completing the application.

The Parent Company submitted the same letter of reprieve to NCIP Region IV so the latter can facilitate the reactivation of the Parent Company's request of NCIP clearance.

As at December 31, 2012, the appeal for reconsideration remained at the MGB Central Office in Quezon City awaiting for the deliberation and resolution.

In December 2013, the application permit remained languishing at the MGB Central under appeal for reinstatement. However the recent turn of events in Palawan brought about by the assigning of EO-79, which categorized Palawan as a No-Go Zone for mining, has forced the Parent Company to accept the previous cancellation and withdraw its appeal for reinstatement.

As at June 30, 2019 and December 31, 2018, there were no further developments on the said project.

f) Exploration Permit Application No. 196-IVB - Nickel Project Rizal, Palawan

The declaration of Mount Mantalingaan as Palawan Protected Landscape gravely affected the surface extent of the applied area. From the original area of 2,477 hectares the net free area has been reduced to a mere 396 hectares or 15% of the original applied area.

On October 12, 2011, the Parent Company received the Notice of Denial for further processing of its exploration permit application. With the current anti-mining sentiments in Palawan, the Parent Company has decided to forgo any appeal for reinstatement.

In December 2013, this has been cancelled several years back due to the inclusion of its most potential areas in the recently declared Mt. Mantalingaan National Park in Southern Palawan. This forced the Parent Company to accept the cancellation notice without any qualms, after filing two motions for reconsideration.

As at June 30, 2019 and December 31, 2018, there were no further developments on the said project.

g) MPSA Application No. 039-XIII - Gold Project Anoling, Agusan Del Sur

The project, located in Agusan del Sur, has an area of 204 hectares. In November 2005, the Parent Company executed a Mines Operating Agreement (MOA) with Phsamed Mining Corporation (PHSAMED) whereby the latter assumes operatorship of the Anoling Project, including, among others, all rights, duties and obligations of the Parent Company as previous operator of the Anoling Project. In return, PHSAMED seeks the approval of MPSA and complies with all the work obligation on the area. Moreover, the Parent Company receives 3% royalty and 10% net profit interest share before income tax, depreciation and amortization of up to P11 million. The agreement has an initial term of ten (10) years.

PHSAMED, with the assistance of the Parent Company, is pursuing the final approval of the MPSA. Additional documentary requirements were submitted to MGB-Caraga in Surigao City. All mining operations remained suspended as at December 31, 2012 until final approval of MPSA.

In 2012, the Parent Company received a formal notice from the project operator that they are no longer pursuing the project development program of Anoling Gold Mine.

The Parent Company has assumed operatorship of the project once again and currently securing all the mine tunnels and assets left behind by the project operator. The Parent Company is also securing all technical data and reports that the project operator acquired during their seven years of operatorship.

The return of the unapproved tenements was completed in 2013 and Bernster has already acknowledged receipt of the MOA termination in their reply letter. The MPSA application is still held-up at the sala of the Mines Adjudication Board but Bernster has to pursue the approval themselves.

As at June 30, 2019 and December 31, 2018, there were no further developments on the said project.

h) Exploration Permit Application No. 080 - Gold Project, Tinongdan Itogon, Benguet

As at December 31, 2012, all field activities and IP negotiations are suspended. The Parent Company is currently finding a solution to move the project forward and convince the big land owners to give their consent and complete the FPIC process. A final appeal for reinstatement has been lodged before the MGB Central office.

In 2013, due to the continued non-consent vote from the indigenous people in the area, it was deemed justified to withdraw the appeal for reinstatement.

As at March 31, 2019 and December 31, 2018, there were no further developments on the said project.

i) 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 Company paid occupation amounting to P0.502 million for the project.

As at June 30, 2019 and December 31, 2018, there were no further developments on the said project.

j) Exploration Permit Application No. 009-2010-V - Copper Gold Project, Oas, Albay

The Exploration Permit Application EXPA-000072-V has been signed and approved on May 5, 2010 at the Central office of the Mines and Geosciences Bureau in Quezon City and registered with the Mines Geosciences Bureau Regional Office No. 5 in Legaspi City on May 12, 2010 as EP-009-2010-V.

On May 17, 2011, the Parent Company signed a MOA with Bentley Fairview Resources Corporation after Bentley decided to exercise its option upon expiration of the Option and Due Diligence Agreement last May 1, 2011.

In August 2011, the Parent Company and Bentley have completed the IEC campaign. Bentley advised that ground activities will commence in the middle of January 2012. Their schedules were set back by bad weather and shortage of technical personnel.

During the first quarter of 2012, a 3-year MOA between the Parent Company and Barangay Maramba was signed and executed in compliance and fulfillment of the Parent Company's commitments with the National Greening Program (NGP). Bentley, as project operator and in pursuance to the mines operating agreement with the Parent Company, will finance the reforestation of a 6-hectare area in Maramba and Barangay Maramba will be the implementing partner of the NGP MOA. A 3-year financial plan has been crafted for that matter.

In 2012, the implementation of signed NGP-MOA between the Parent Company and Barangay Maramba was completed. A total of 2,500 mahogany seedlings were planted in the area located within the jurisdiction of Barangay Maramba, Oas, Albay. The tree-planting site has been inspected by representative of the MGB.

As at December 31, 2012, the Parent Company submitted its application for the renewal of the exploration permit and waits for the renewal of the exploration permit.

In 2013, the documents for the relinquishment of the tenements have been prepared. The EP was renewed but the claim perfection remained incomplete due to non-payment of the mining occupation fees. The Parent Company has already made several postponements of inspection trips by MGB-5 to the project site.

The Parent Company has not implemented its mandatory community development program. It has stalled the implementation of the tree-planting program and has not undertaken the environmental baseline survey. Commitments are piling up after the pull out of Bentley and the Parent Company has suspended all compliance activities on the area.

In 2013, the EP is now delinquent in status and the continued delinquency is decreasing the value of the project.

As at June 30, 2019 and December 31, 2018, there were no further developments on the said project.

k) Exploration Permit No. 000071 - Copper Project, Concepcion, Iloilo

On June 22, 2010, the exploration permit application was registered and approved by the regional office of MGB-6 in Iloilo City. All surface activities remained suspended. The Parent Company is currently preparing the budget for work programs and IEC presentations for approval by the BOD.

The Parent Company has completed its Project IEC campaign before all concerned and affected Local Government Units in Concepcion and Iloilo.

MGB-6 now requires the Parent Company to secure Affidavit of Consents from the private landowners. The Parent Company complied with the MGB guidelines.

As at December 31, 2012, the Parent Company completed its documentary submissions with respect to its application for the renewal of the exploration permit. The Parent Company is patiently waiting for the renewal of the exploration permit so that it can implement the other peripheral requirements of the CDP, NGP and geohazard mapping.

In December 2013, the signing of the Option to Purchase agreement with Vale Exploration, Philippines (Vale) has been completed.

On January 13, 2014, Vale took over of the project Operation. The US\$20,000 cash consideration was paid to the Parent Company on January 23, 2014. If the surface exploration activities confirmed the expected results, Vale has the option to exercise immediately the purchase of the mineral rights from the Parent Company at the cost of US\$1.25 million. Vale would still pay the US\$ 30,000 regardless of the early exercise of the purchase option. The Parent Company's residual 1.35% share on the net smelter return will only kick in when production has been realized. The Parent Company will be carried free in all exploration activities even in the event of confirmatory drilling operations in the later stages.

As at June 30, 2019 and December 31, 2018, there were no further developments on the said project.

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 5.84 billion and P3.58 billion as at June 30, 2019 and December 31, 2018, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

<i>(In thousands pesos)</i>	<i>Note</i>	2019	2018
Trade payables		P5,677,497	P9,811,921
Non-trade payables		1,193,402	1,205,116
Due to government agencies		554,357	620,671
Retention payable		4,844	73
Construction bonds		20,670	20,541
Advance rentals	21	17,816	11,753
Accrued expenses:			
Manpower agency services		934,235	909,613
Utilities		285,898	200,381
Rent		68,718	62,280
Professional fees		7,010	5,493
Interest		-	10,674
Fixed asset acquisition		966	1,657
Others		184,705	154,994
		P8,950,117	P13,015,167

Trade payables represent payable arising mainly from purchases of inventories. These are noninterest-bearing and are generally have a 30 to 60 days payment terms.

Nontrade payables consist mainly of obligations to nontrade suppliers related to the purchases of supplies, fixed assets acquisitions and structures under construction and liabilities in line with the Group's operating expenses. These are normally settled within 12 months.

17. Loans Payable

As at June 30, 2019 and December 31, 2018, the Group has the following outstanding loans:

a. Short-term Loans

Details of peso-denominated short-term loans follow:

<i>(In thousands pesos)</i>	2019	2018
Balance at beginning of year	P4,866,300	P5,562,500
Availments	421,370	10,220,000
Payments	(4,262,604)	(10,916,200)
Balance at end of year	P1,025,066	P4,866,300

The balances of peso-denominated short-term loans of each segment as at June 30 and December 31 follow:

Segment	Purpose(s)	Interests	2019	2018
Grocery retail	- Inventory financing - Working capital requirements	5.0% to 5.5%	P13,066,	P3,856,300
Liquor distribution	- Inventory financing	5.62% to 6.0%	712,000	710,000
Real estate	- Capital expenditure requirements	5.25% to 6.0%	300,000	300,000
			P1,025,066	P4,866,300

b. Long-term Debts

Details of long-term debts follow:

<i>(In thousands pesos)</i>	2019	2018
Balance at beginning of year	P6,622,208	P7,225,612
Payments during the year	(1,489,985)	(610,000)
Amortization of debt issue cost	28	6,596
	5,132,251	6,622,208
Less current portion	-	49,999
	P5,132,251	P6,572,209

The balance of long-term debts of the Parent Company and subsidiaries follow:

<i>(In thousands pesos)</i>	Note	2019	2018
Cosco:			
Fixed-rate peso-denominated loan of 5.267%	<i>a</i>	P3,787,189	P3,827,355
Fixed-rate peso-denominated loan of 5.579%	<i>b</i>	945,062	954,853
PPCI:			
Fixed-rate peso-denominated note of 6.40%	<i>d</i>	-	1,440,000
KMC			
Fixed-rate peso-denominated loan of 3.50%	<i>e</i>	400,000	400,000
		5,132,251	6,622,208
Less current portion		-	49,999
		P5,132,251	P6,572,209

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:

- a. 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. Debt issuance costs related to this loan amounted to P34.17 million. 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.
- b. 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. Debt issuance costs related to this loan amounted to P8.54 million. 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.

The above mentioned 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 June 30, 2019 and December 31, 2018, Cosco complied with the covenants of the aforementioned loans.

PPCI

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

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

The movements in debt issue costs are as follows:

	2019	2018
Balance at beginning of the year	P-	P795,346
Amortizations	-	(795,346)
Balance at end of year	P-	P -

- b. On April 14, 2013, PPCI signed and executed a 2-year, peso-denominated promissory note amounting to P963.70 million. The note bears a fixed interest of 3.25% and shall be repaid in a single payment on maturity.

In 2015, PPCI paid a total of P393.70 million of the principal amount; subsequently, the remaining principal amount was rolled-over at fixed interest of 2.375% and payable on January 11, 2016.

In 2016, PPCI paid a total of P450.00 million of the principal amount; subsequently, the remaining loan amount was rolled-over and payable on January 4, 2017. In 2017, PPCI paid the note in full.

PPCI is not subject to any covenant for the aforementioned loans.

KMC

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

KMC is not subject to any covenant for the aforementioned loan.

Total interest incurred on the above-mentioned loans payable amounted to P211.15 million and P246.11 million for the periods ended June 30, 2019 and 2018, respectively. Capitalized interest in 2019 and 2018 amounted to P11.97 million and P81.73 million, respectively (see Notes 12 and 13).

The reconciliation of liabilities arising from financing activities in 2019 and 2018 are presented below. The details of net cash flows are presented in the consolidated statements of cash flows.

<i>(In thousands pesos)</i>	June 30, 2019				
	Short-term Loans	Long-term Debts	Interest Payable	Dividend Payable	Total
Balance at beginning of year	P4,866,300	P6,622,208	P17,271	P -	P12,706,172
Proceeds from loans	421,370	-	-	-	421,370
Payment of loans	(4,262,604)	(1,489,985)	-	-	(5,752,589)
Interest expense	-	-	211,151	-	211,151
Interest paid	-	-	(228,394)	-	(228,394)
Total changes from financing cash flows	(3,841,234)	(1,489,985)	(17,271)	-	(5,348,462)
Amortization of debt issue cost	-	28	-	-	-
Balance at end of year	P1,025,066	P5,132,251	P-	P -	P6,157,317

<i>(In thousands pesos)</i>	December 31, 2018				
	Short-term Loans	Long-term Debts	Interest Payable	Dividend Payable	Total
Balance at beginning of year	P5,562,500	P7,225,612	P6,825	P1,200,393	P13,995,330
Proceeds from loans	10,220,000	-	-	-	10,220,000
Payment of loans	(10,916,200)	(610,000)	-	-	(11,526,200)
Interest expense	-	-	468,844	-	468,844
Interest paid	-	-	(458,398)	-	(458,398)
Total changes from financing cash flows	(696,200)	(610,000)	10,446	1,200,393	(1,295,754)
Amortization of debt issue cost	-	6,596	-	-	6,596
Balance at end of year	P4,866,300	P6,622,208	P17,271	P -	P12,706,172

18. Other Current Liabilities

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

<i>(In thousands pesos)</i>	Note	2019	2018
Customers' deposits	22,32	P272,045	P250,749
Unredeemed gift certificates		68,603	127,913
Output VAT		48,300	40,659
Promotion fund		5,133	4,621
Loyalty and rewards		-	11,190
Others	32	6,921	1,165
		P401,002	P436,297

Unredeemed gift certificates represent issued yet unused gift certificates. The corresponding sale will be recognized upon redemption by the customers or upon expiration.

Loyalty and rewards is provided for the points' redemption of "Tindahan ni Aling Puring" (TNAP) and PERKS card members. These points allow their members to redeem or use to pay for the purchase of the PPCI's merchandise inventories.

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

19. Revenue from Contracts with Customers

The Group derives revenue from the transfer of goods in the following major product lines as follows:

(In thousands pesos)

Major Products/Service Lines	2019	2018
Grocery	P71,136,186	P63,923,431
Wines and liquor	3,449,772	2,863,713
Office and technology supplies	1,220,755	1,009,774
LPG	-	7,590,470
	P76,724,223	P75,387,388

Disaggregated Revenue Information

Presented below is the Group's sources of revenue, further disaggregated to revenues from contracts with customers and revenues not covered under PFRS 15 for the periods ended June 30, 2019 and 2018:

(In thousands pesos)

Major Products/Service Lines	June 30, 2019		Total
	Goods/Services Transferred at a Point in Time	Revenue not under Scope of PFRS 15	
Sale of consumer goods	P71,136,186	P -	P71,136,186
Sale from distribution of wines and liquor products	3,449,772	-	3,449,772
Sale of office and technology supplies	1,220,755	-	1,220,755
Rental income	917,510	-	917,510
	P76,724,223	P -	P76,724,223

(In thousands pesos)

Major Products/Service Lines	June 30, 2018		Total
	Goods/Services Transferred at a Point in Time	Revenue not under Scope of PFRS 15	
Sale of consumer goods	P63,923,431	P -	P63,923,431
Sale of LPG and petroleum products	7,590,470	-	7,590,470
Sale from distribution of wines and liquor products	2,863,713	-	2,863,713
Sale of office and technology supplies	1,009,774	-	1,009,774
Rental income	843,322	-	843,322
Production lifting	300	-	300
	P76,231,010	P -	P76,231,010

The Group has recognized the following assets related to contracts with customers:

<i>(In thousands pesos)</i>	<i>Note</i>	2019	2018
Receivables which are included under trade and other receivables	5	P2,924,595	P5,069,825
Receivables which are included in the assets held for sale	33	-	990,137
Balance at end of year		P2,924,595	P6,059,962

20. Cost of Goods Sold and Services

Cost of goods sold consists of:

<i>(In thousands pesos)</i>		2019	2018
Beginning inventory		P23,931,657	P21,194,691
Purchases		62,297,715	65,952,118
Overhead costs		-	232,976
Total goods available for sale		86,229,371	87,379,785
Ending inventory		23,525,434	24,575,392
		P62,703,937	P62,804,393

Cost of services consists of:

<i>(In thousands pesos)</i>	<i>Note</i>	2019	2018
Utilities		P221,052	P212,146
Depreciation	11, 12, 13	101,068	98,189
Security services		47,197	37,751
Taxes and licenses		45,360	43,877
Janitorial services		29,592	29,136
Repairs and maintenance		28,782	23,905
Rentals	21	25,716	24,931
Management fees	25	18,413	15,883
Insurance		9,795	9,562
Others		4,971	5,441
		P531,946	P500,821

21. Lease Agreements

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 is no outstanding charges against the tenant. Customers' deposits amounted to P333.43 million and P318.12 million as at June 30, 2019 and December 31, 2018, respectively. These are included under "Other noncurrent liabilities" account in the consolidated statements of financial position.

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 is accounted on a straight-line basis over the lease term. The excess of the total lease income over rental collections amounted to P611.66 million and P391.81 million as at June 30, 2019 and December 31, 2018 respectively, and are accounted under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

Rent income recognized as part of "Services" account in profit or loss amounted to P917.51 million and P843.32 million in 2019 and 2018, respectively.

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

<i>(In thousands pesos)</i>	2019	2018
Due within one year	P345,681	P345,681
Due more than one year but not more than five years	1,493,239	1,493,239
Due more than five years	2,547,926	2,547,926
	P4,386,846	P4,386,846

The retail segment of the Group subleases portion of its store space to various lessees for an average lease term of one (1) to ten (10) years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 18).

Rent income recognized as part of "Other Operating Income" account in profit or loss amounted to P230.88 million and P203.24 million, in 2019 and 2018, respectively (see Note 22).

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

<i>(In thousands pesos)</i>	2019	2018
Due within one year	P255,735	P260,145
Due more than one year but not more than five years	407,163	357,318
Due more than five years	87,936	95,071
	P750,834	P712,534

As Lessee

The Group enters into lease agreements for the Group's retail stores, warehouses, corporate office spaces, equipment, plant facilities and refilling stations. These leases have terms ranging from one (1) to fifty (50) years and generally provide for either: (a) fixed amounts which are calculated either fixed monthly rent or is calculated in reference to a fixed sum per square meter of area leased based on the contracts; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market conditions.

The Group is required to pay advance rental payments and security deposits on the above leases which are either fixed monthly rent or are calculated in reference to a fixed sum per square meter of area leased. These are shown under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (see Notes 10 and 16).

Property, plant and equipment comprises owned and leased assets that do not meet the definition of investment property.

<i>(In thousand pesos)</i>	Note	2019	2018
Property and equipment owned		P26,864,730	P26,343,793
Right-of-use assets		18,631,689	18,606,889
		P45,496,419	P44,950,682

The Group leases assets including land and buildings. Information about leases for which Group is a lessee is presented below:

The consolidated statements of financial position shows the following amounts relating to leases:

Right-of-use asset

<i>(In thousands pesos)</i>	Land	Building	Total
January 1, 2018, as restated	P3,281,570	P15,442,112	P18,683,010
Depreciation	(192,939)	(1,557,757)	(1,750,697)
December 31, 2018, as restated	3,337,360	15,269,529	18,606,889
Depreciation	(103,700)	(636,365)	(740,065)
June 30, 2019	P3,856,098	P14,775,591	P18,631,689

Additions to right-of-use assets were P1.16 Billion and P1.67 Billion in 2019 and 2018, respectively.

Lease liabilities

<i>(In thousand pesos)</i>	Note	2019	2018
Maturity analysis-contractual undiscounted cash flows			
Less than one year		P2,647,649	P2,439,081
One to five years		10,445,126	9,835,179
More than five years		37,457,103	35,054,180
Total undiscounted lease liabilities as at June 30 and December 31		P50,549,878	P47,328,441
Lease liabilities included in the statement of financial position		P20,224,824	P20,882,263

Amounts recognized in profit or loss

The statements of comprehensive income show the following amounts relating to leases for the periods ended June 30:

<i>(In thousand pesos)</i>	2019	2018
Interest expense	P613,577	P543,805
Rent expense relating to lease of low-value assets and short-term leases	186,584	194,153

Rent expense for short-term leases and lease of low-value assets is accounted on a straight-line basis over the lease term. The excess of the total rent expense over the rental payments amounting to P611.66 million and P487.62 million as at June 30, 2019 and December 31, 2018, respectively, are accounted for under "Other noncurrent liabilities" in the consolidated statements of financial position.

Rent expense pertaining to short-term, lease of low-value assets and variable lease payments charged as at June 30 are as follows:

<i>(In thousands pesos)</i>	Note	2019	2018
Cost of services	21	P25,716	P24,931
Operating expenses	25	160,868	169,222
		P186,584	P194,153

22. Other Operating Income

This account for the periods ended June 30 consists of:

<i>(In thousands pesos)</i>	Note	2019	2018
Concession income		P946,142	P861,787
Membership income		253,916	231,653
Rent income	21	230,879	203,239
Commission income		-	25,506
Miscellaneous		68,894	80,886
		P1,499,831	P1,403,071

Concession income refers to the share of the Group's retail segment from sale of goods under concession arrangements.

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

Rent income refers to the income earned by the Group's retail segment for the store spaces leased by its tenants.

Commission income is earned by the Group's liquor distribution segment from intermediating between local distributors of wines and liquors and foreign suppliers.

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

23. Operating Expenses

This account for the periods ended June 30 consists of:

<i>(In thousands pesos)</i>	Note	2019	2018 (As Restated)
Depreciation and amortization	11, 12, 13	P1,745,806	P1,603,912
Manpower agency		1,434,389	1,396,419
Communication, light and water		1,233,446	1,154,875
Salaries and wages		1,212,143	1,174,969
Outside services		845,838	803,588
Taxes and licenses		443,390	384,911
Advertising and marketing		313,303	305,677
Store and office supplies		294,802	275,537
Repairs and maintenance		253,071	248,101
Concession expense	25	219,553	228,475
Distribution costs		181,455	152,871
Rent	21	160,868	169,222
Insurance		110,077	112,290
Transportation		82,984	56,809
SSS/Medicare and HDMF contributions		80,400	71,809
Input VAT allocable to exempt sales		68,702	56,542
Representation and entertainment		56,909	35,018
Fuel and oil		39,753	39,682
Royalty expense	25	27,585	25,116
Professional fees		22,648	25,097
Retirement benefits cost	26	-	2,216
Others		189,315	87,111
		P9,016,439	P8,410,246

24. Others

This account for the periods ended June 30 consists of:

<i>(In thousands pesos)</i>	Note	2019	2018
Unrealized valuation gain (loss) on investments in trading securities		P104	(P11,623)
Bank charges		(13,832)	(14,093)
Gain on sale of investment	33	8,010,141	362,810
Foreign exchange gain (loss)	10	9,451	16,508
Gain on sale of property and equipment		-	15,818
Share in net income of joint ventures and associates	10	-	3,468
Gain on insurance claim		-	31
Miscellaneous		(2,778)	(54)
		P8,003,087	P372,865

25. Related Party Transactions

The Group's transactions and balances with its related parties follow:

Related Party	Year	Note	Amount of Transactions for the Year	Due from Related Parties	Due to Related Parties	Terms	Conditions
Under Common Control							
▪ Advances	2019	a	P -	P -	P363,146	Due and demandable; non-interest bearing	Unsecured
	2018	a	38	-	363,146		
▪ Management fees	2019	d	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2018	d	34,585	-	-		
▪ Rent income	2019	e	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2018	e	125,909	-	-		
▪ Rent expense	2019	o	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2018	f	7,646	-	-		
Associates							
▪ Throughput fees	2019	b	-	-	-	Outstanding balance is settled in cash within a month after the end of each quarter; non-interest bearing	Unsecured
	2018	b	30,000	-	-		
▪ Concession expense	2019	c	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2018	c	-	-	-		
Key Management Personnel							
▪ Advances	2019	a	241,214	286,784	958,876	Due and demandable; non-interest bearing	Unsecured
	2018	a	689,098	47,971	959,242		
▪ Royalty expense	2019	g	27,585	-	27,653	Due and demandable; non-interest bearing	Unsecured
	2018	g	54,343	-	43,474		
▪ Short-term benefits	2019	-	-	-	-		
	2018	-	-	-	-		
Total	2019			P286,784	P1,349,675		
Total	2018			P47,971	P1,365,863		

a. Advances

The Group obtains and extends cash advances from/to its affiliates and key management personnel cash for working capital requirements.

b. Throughput Agreement

On December 15, 2000, the Group through LPC, together with its co-joint venture in MJVC, as "Users" entered into a throughput agreement (TA) with MJVC and PLBRC. Under the TA, MJVC will provide the services to enable basis, each of the users to load and off-load products from vessels and receive products from MJVC's storage facilities. LPC, as the User, shall pay the services and annual fees based on a certain formula agreed upon under the TA. The fee shall be shared between the users based on the actual tonnage off-loaded or loaded from and to ships. The term of the agreement is for 25 years and shall expire on December 15, 2025.

Throughput fees are shown as part of "Cost of Sales" in the consolidated statements of comprehensive income.

c. 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) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) stores.
- The Consignor shall give the Consignee a trade or volume discount of its gross sales.
- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.
- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.
- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee's gross sales which was decreased to ten percent (10%) through an amendment of the contract 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) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.
 - Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.
 - Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.
 - The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.
- d. The Group entered into a management agreement with Puregold Realty Leasing and Management, Inc. (PRLMI), an entity under common control. Under the agreement, PRLMI shall handle the leasing and marketing, billing and collection, documentation, and property management services of the properties owned by the realty segment of the Group. In consideration of such services, the Group shall pay monthly management fee to PRLMI equivalent to 5.0% to 8.5% of rental collected by PRLMI. The agreement is valid for a year, and is renewable upon mutual agreement of both parties.
- e. The Group and PriceSmart entered into lease agreement for the rental of land. The term of the lease is twenty three (23) years and renewable under such terms and conditions that shall be agreed upon by the parties.
- f. The Group entered into lease agreement with Union Equities, Inc., an entity under common control. The lease covers a parcel of land where the Group's Sariaya Facilities are located. The term of the lease is for 10 years commencing on December 16, 2015 and may be terminated by the Group at any time with cause and prior notice to the lessor.
- g. On August 15, 2011, PPCI ("licensee") entered into a license agreement with a stockholder ("licensor") for its use of trademark and logo. The licensee will pay the licensor royalties in an amount equivalent to 1/20 of 1% of net sales for the period of thirty (30) years, renewable upon mutual written consent of the parties. These royalty fees and payables are unsecured, non-interest bearing and due and demandable.
- h. A stockholder has granted PPCI the right to use the trademark used in the stores of KMC as part of the sale of KMC to PPCI (see Note 13).

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 June 30 and December 31 are as follows:

<i>(In thousands pesos)</i>	2019	2018
Present value of defined benefits obligation	P530,558	P534,446
Fair value of plan assets	(25,913)	(25,913)
	P504,645	P508,533

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

<i>(In thousands pesos)</i>	2019	2018
Balance at beginning of year	P534,446	P618,300
Included in profit or loss:		
Current service cost	-	138,527
Interest cost	-	34,114
Return on plan assets	-	(1,477)
Past service cost	-	-
	-	171,164
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	-	(352,383)
Experience adjustments	-	121,726
	-	(230,657)
Benefits paid	-	(1,675)
Reclass to liabilities directly related to assets held-for-sale	-	(22,686)
Effect of consolidation	(3,888)	-
Balance at end of year	P530,558	P534,446

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

<i>(In thousands pesos)</i>	2019	2018
Balance at beginning of year	P25,913	P25,913
Interest income	-	-
Return on plan asset excluding interest	-	-
Balance at end of year	P25,913	P25,913

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

<i>(In thousands pesos)</i>	2019	2018
Cash in banks	P2,033	P2,033
Debt instruments - government bonds	23,648	23,648
Trust fees payable	(13)	(13)
Other	245	245
	P25,913	P25,913

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

	2019	2018
Discount rate	7.50% to 7.53%	7.50% to 7.53%
Future salary increases	5.00% to 7.00%	5.00% to 7.00%

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

The weighted average duration of the defined benefit obligation at the end of the reporting period is 25.8 years.

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

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:

2019

<i>(In thousands pesos)</i>	Increase	Decrease
Discount rate (1% movement)	(P112,48)	(P91,475)
Future salary increase rate (1% movement)	110,943	(88,056)

2018

<i>(In thousands pesos)</i>	Increase	Decrease
Discount rate (1% movement)	(P112,48)	(P91,475)
Future salary increase rate (1% movement)	110,943	(88,056)

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:

<i>(In thousands pesos)</i>	Carrying Amount	Contractual Cash Flows	2019		
			Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P534,446	P231,232	P31,463	P35,173	P161,692

<i>(In thousands pesos)</i>	Carrying Amount	Contractual Cash Flows	2018		
			Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P534,446	P231,232	P31,463	P35,173	P161,692

Multi-employer Retirement Plan

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

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 Company'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 2019.

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 2019.

27. Income Taxes

The income tax expense for the periods ended June 30 consists of:

<i>(In thousands pesos)</i>	2019	2018
Current tax	P1,556,520	P1,552,277
Deferred tax	(95,596)	(96,087)
	P1,460,924	P1,456,191

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss for the periods ended June 30 is as follows:

<i>(In thousands pesos)</i>	2019	2018
Income before income tax	P12,082,303	P5,581,965
Income tax expense at the statutory income tax rate:		
30%	P4,021,869	P1,641,002
5%	9,170	8,900
Income tax effects of:		
Dividend income exempt from final tax	(195)	-
Deduction from gross income due to availment of optional standard deduction	(85,557)	(53,932)
Non-taxable income-net	(2,444,535)	(107,001)
Interest income subjected to final tax	(48,315)	(10,135)
Nondeductible expense	15,956	4,831
Non-taxable rental income	(16,200)	(24,522)
Non-deductible interest expense	4,998	1,596
Share in net income of an associates/joint venturers	-	(799)
Changes in unrecognized DTA	3,702	(3,750)
	P1,460,924	P1,456,191

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

<i>(In thousands pesos)</i>	2019	2018 (As Restated)
	DTA (DTL)	DTA (DTL)
Accrued rent expense	P52,390	P25,522
Retirement benefits liability	276,415	280,163
Lease liability	1,606,946	1,509,612
Advance rentals	1,653	14,590
Allowance for impairment losses on receivables	4,668	4,411
Recognition of DTA	974	-
DTA	1,943,046	1,834,416
Fair value of intangible assets from business combination	(1,379,734)	(1,379,734)
Accrued rent income	(490,191)	(475,848)
Remeasurement on retirement liability	(117,900)	(116,946)
Prepaid rent	(126,304)	(118,317)
Unrealized foreign exchange gain	(131)	(136)
DTL	(2,114,260)	(2,090,982)
Net	(P171,214)	(P256,566)

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefit 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 June 30 and December 31 are as follows:

<i>(In thousands pesos)</i>	2019	2018
NOLCO	P117,430	P117,430
MCIT	21,838	21,838
	P139,268	P139,268

The details of the Group's NOLCO which are available for offsetting against future taxable income are shown below:

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2015	P471,225	(P471,225)	P -	2018
2016	261,275	-	261,275	2019
2017	130,158	-	130,158	2020
	P862,658	(P471,225)	P391,433	

The details of the Group's MCIT which are available for offsetting against future taxable income are shown below:

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2015	P4,071	(P4,071)	P -	2018
2016	9,512	-	9,512	2019
2017	3,593	-	3,593	2020
2018	8,733	-	8,733	2021
	P25,909	(P4,071)	P21,838	

28. Equity

Capital Stock

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

	2019		2018	
	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
Issuance	104,300,000	104,300	-	-
Less: Treasury shares	(381,640,802)	(1,283,467)	(381,629,190)	(1,197,727)
Outstanding	7,127,922,762	P6,226,097	7,023,634,374	P6,207,537
Treasury shares:				
Balance at beginning of year	381,629,190	P1,197,727	288,081,290	P628,203
Share buyback	11,612	85,739	93,547,900	569,524
Balance at end of year	381,640,802	P1,283,466	381,629,190	P1,197,727

Additional issuance of 104,300,000 shares pertain to the January 16, 2019 top-up placement of Puregold Price Club, Inc. This resulted to additional paid-in capital of P4.53 Billion.

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 2019 and 2018, the Parent Company renewed its program to buy back its shares for another year.

Retained Earnings

Declaration of Cash Dividends

In 2019, 2018, 2017 and 2016, 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	December 22, 2016	January 12, 2017	January 20, 2017	0.06
Cash	December 22, 2016	January 12, 2017	January 20, 2017	0.02
Cash	December 15, 2017	January 2, 2018	January 26, 2018	0.06
Cash	December 15, 2017	January 2, 2018	January 26, 2018	0.04
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.06
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.04

As of June 30, 2019 and December 31, 2018, there were no unpaid cash dividends on common shares .

Non-controlling Interests

For the period and year ended June 30, 2019 and December 31, 2018 , 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:

<i>(In thousands pesos)</i>	2019			2018		
	PPCI	CHC	PPCI	LPC	CHC	CPHI
NCI percentages	49%	10%	49%	10%	10%	10%
Carrying amounts of NCI	P29,349,598	P762,377	P27,299,475	P380,498	(P22,311)	P541
Current assets	P31,909,615	P11,982,428	P36,438,394	P2,642,136	P2,793	P24
Noncurrent assets	63,331,775	-	62,970,761	2,958,653	3,528,451	44,222
Current liabilities	8,472,688	4,358,659	17,606,402	1,773,127	3,754,356	38,837
Noncurrent liabilities	26,871,563	-	28,274,371	22,686	-	-
Net assets	P59,897,138	P7,623,769	P53,528,382	P3,804,976	(P223,112)	P5,409
Net income attributable to NCI	P1,385,592	P814,835	P3,194,664	P62,623	(P32,506)	(P530)
Other comprehensive attributable to NCI	P -	P -	P76,640	P336	P -	P -
Revenue	P71,136,186	P -	P140,918,008	P17,090,512	P -	P -
Net income (loss)	P2,827,738	P7,846,943	P6,519,720	P626,230	(P325,058)	(P530)
Other comprehensive income (loss)	-	-	156,428	3,362	-	-
Total comprehensive income (loss)	P2,827,738	P7,846,943	P6,676,148	P629,592	(P325,058)	(P530)

This information is based on amounts before inter-company eliminations.

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:

Retail	Includes selling of purchased goods to a retail market
Specialty retail	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of LPG, filling and distributions of LPG cylinders as well as distributions to industrials, wholesale and other customers.
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Real estate and property leasing	Includes real estate activities such as selling and leasing of real properties
Oil and mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

The following segment information does not include any amounts for discontinued operations.

Information regarding the Group's reportable segments is presented hereunder:

Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

<i>(In thousands pesos)</i>	Segment Revenues		Segment Profit	
	2019	2018	2019	2018
Grocery retail	P71,136,186	P63,923,431	P2,827,738	P2,971,389
Specialty retail	1,222,921	8,602,309	54,318	265,602
Liquor distribution	4,514,428	3,732,226	457,451	378,546
Real estate and property leasing	1,272,056	1,215,576	637,320	572,158
Holding, oil and mining	-	300	8,663,472	(104,318)
Total	78,145,591	77,473,843	12,640,299	P4,083,377
Eliminations of intersegment revenue/profit	1,421,368	1,242,833	557,996	42,397
	P76,724,223	P76,231,010	P12,082,303	P4,125,774

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

<i>(In thousands pesos)</i>	2019	2018
Grocery retail:		
From external customers	P71,136,186	P63,923,431
Specialty retail:		
From external customers	1,220,755	8,600,244
From intersegment sales	2,165	2,066
	1,222,921	8,602,309
Liquor distribution:		
From external customers	3,449,772	2,863,713
From intersegment sales	1,064,657	868,513
	4,514,428	3,732,226
Real estate and property leasing:		
From external customers	917,510	843,322
From intersegment sales	354,546	372,255
	1,272,056	1,215,576
Holding, oil and mining:		
From external customers	-	300
Total revenue from external customers	P76,724,223	P76,231,010
Total intersegment revenue	P1,421,368	P1,242,833

No single customer contributed 10% or more to the Group's revenue for the periods ended June 30, 2019 and 2018.

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 pesos)</i>	2019	2018 (As Restated)
Segment assets:		
Grocery retail	P95,241,390	99,134,248
Specialty retail	6,782,903	6,603,931
Liquor distribution	7,432,955	7,201,753
Real estate and property leasing	25,202,238	24,489,235
Holding, oil and mining	105,277,667	96,874,958
Total segment assets	239,937,153	234,357,012
Intercompany assets	98,535,678	94,789,512
Total assets	P141,401,475	P139,567,500
Segment liabilities:		
Grocery retail	P35,344,252	P45,605,866
Specialty retail	2,482,007	2,358,718
Liquor distribution	2,762,751	2,989,000
Real estate and property leasing	9,476,983	9,416,077
Holding, oil and mining	9,525,521	8,974,933
Total segment liabilities	59,591,513	69,344,594
Intercompany liabilities	19,897,144	17,039,499
Total liabilities	P39,694,369	P52,305,096

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 pesos)</i>	2019	2018 (As Restated)
Net income attributable to equity holders of the Parent Company (a)	P9,881,876	P2,646,449
Weighted average number of common shares (b)	7,014,074	7,111,688
Basic/diluted EPS (a/b)	P1.4089	P0.3721

There were no potential dilutive common shares in 2019 and 2018.

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transaction during the period.

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
- Other Market Price Risk

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

The 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 pesos)</i>	<i>Note</i>	2019	2018
Cash and cash equivalents ⁽¹⁾	4	P24,389,810	P15,595,558
Receivables - net	5	4,005,828	6,630,927
Due from related parties	25	310,452	47,971
Security deposits ⁽²⁾	15	1,959,136	1,852,095
Financial asset at FVPL	7	36,607	36,503
Financial asset at FVOCI	8	15,222	15,522
		P30,717,055	P24,178,576

⁽¹⁾ Excluding cash on hand amounting to P1,189.30 million.

⁽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 pesos)</i>	June 30, 2019			
	Neither Past Due nor impaired	Past Due but not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents ⁽¹⁾	P24,389,810	P -	P -	P24,389,810
Receivables	2,197,637	1,797,411	48,947	4,043,995
Due from related parties	310,452	-	-	310,452
Security deposits ⁽²⁾	1,959,136	-	-	1,959,136
Financial Assets at FVPL	0	-	-	0
Investments in trading securities	36,607	-	-	36,607
Financial Assets at FVOCI	0	-	-	0
Investments in equity securities	7,262	-	-	7,262
Quoted	5,956	-	-	5,956
Unquoted	2,304	-	-	2,304
	P28,909,164	P1,797,411	P48,947	P30,755,522

⁽¹⁾ Excluding cash on hand amounting to P1,189.30 million.

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

<i>(In thousands pesos)</i>	December 31, 2018			
	Neither Past Due nor impaired	Past Due but not Impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents ⁽¹⁾	P15,595,558	P -	P -	P15,595,558
Receivables	4,360,646	2,229,983	40,298	6,630,927
Due from related parties	47,971	-	-	47,971
Security deposits ⁽²⁾	1,852,095	-	-	1,852,095
Financial Assets at FVPL				
Investments in trading securities	36,503	-	-	36,503
Financial Assets at FVOCI				
Investments in equity securities	7,262	-	-	7,262
Quoted	5,956	-	-	5,956
Unquoted	2,304	-	-	2,304
	P21,908,295	P2,229,983	P40,298	P24,178,576

⁽¹⁾ Excluding cash on hand amounting to P965.56 million.

⁽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. 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 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:

June 30, 2019					
<i>(In thousands pesos)</i>	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⁾	P8,395,761	P8,395,761	P8,395,761	P -	P -
Short-term loans	1,025,066	1,025,066	1,025,066	-	-
Due to related parties	1,349,676	1,349,676	-	-	-
Long-term debts ⁽²⁾	6,622,208	6,622,208	7,522,901	321,292	7,201,609
Customers' deposits ⁽³⁾	225,076	225,076	225,076	-	-
	P17,617,786	P17,517,786	P17,168,804	P321,292	P7,201,509

⁽¹⁾ Excluding due to government agencies.

⁽²⁾ Including current and non-current portion.

⁽³⁾ Included as part of "Other current liabilities".

December 31, 2018					
<i>(In thousands pesos)</i>	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⁾	P12,394,496	P12,394,496	P12,394,496	P -	P -
Short-term loans	4,866,300	4,866,300	-	-	-
Due to related parties	1,365,863	1,365,863	-	-	-
Long-term debts ⁽²⁾	6,622,208	6,622,208	7,522,901	321,292	7,201,609
Customers' deposits ⁽³⁾	250,749	250,749	-	-	-
	P25,499,616	P25,499,616	P19,917,397	P321,292	P7,201,609

⁽¹⁾ Excluding due to government agencies.

⁽²⁾ Including current and non-current portion.

⁽³⁾ Included as part of "Other current liabilities".

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices that will adversely affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is subject to various market risks, including risks from changes in foreign currency risk, interest rate risk and equity price risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company's exposure to the risks for changes in market interest rates relates mainly to the Group's loan payables (both short-term loans and long-term debts). The Group manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Group does not have significant interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk relates primarily to the Group's foreign currency-denominated monetary assets and liabilities. The currencies in which these transactions are primarily denominated are United States dollar (USD), Singaporean dollar (SGD), British pound (GBP), Australian dollar (AUD) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso (PHP) equivalents as at June 30 and December 31:

<i>(In thousands)</i>	June 30, 2019					PHP
	USD	SGD	GBP	AUD	EUR	Equivalent
Foreign Currency-denominated Monetary Assets						
Cash	18,053	-	0.01	.01	-	18,053
Trade receivables	-	-	-	-	-	-
		-	0.01	.01	-	18,053
Foreign Currency-denominated Monetary Liabilities						
Trade payable	12,972	409	-	-	572,731	586,112
Net Foreign Currency-Denominated Monetary Liabilities						
	5,081	(409)	0.01	0.01	(572,731)	(586,059)

<i>(In thousands)</i>	June 30, 2018					PHP
	USD	SGD	GBP	AUD	EUR	Equivalent
Foreign Currency-denominated Monetary Assets						
Cash	25,348	0.30	0.01	.01	-	25,430
Trade receivables	85,308	-	-	-	-	85,308
	110,738	0.30	0.01	.01	-	110,738
Foreign Currency-denominated Monetary Liabilities						
Trade payable	22,556	955	-	-	342,966	499,971
Net Foreign Currency-Denominated Monetary Liabilities						
	88,100	(873)	0.01	0.01	342,966	(255,738)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2019	2018
USD	51.46	53.44
SGD	38.31	37.30
EUR	59.87	63.00

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

June 30, 2019		
<i>(In thousands pesos)</i>	Percentage Increase (Decrease) in Foreign Exchange Rates	Effect in Income before Income Tax
USD	(4%)	P188 decrease
SGD	(5%)	11 decrease
EUR	3%	28,423 decrease
June 30, 2018		
<i>(In thousands pesos)</i>	Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	6%	P5,205 increase
SGD	2%	17 decrease
EUR	9%	31, 243 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Equity Price Risk

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity price risk because of equity securities held as financial assets at FVPL and AFS investments by the Group.

The table below shows the sensitivity to a reasonably possible change in equity prices, with all other variables held constant, of the Group's equity securities due to changes in their carrying values.

<i>(In thousands pesos)</i>	Percentage Increase (Decrease) in Equity Price	Effect in Total Comprehensive Income
2019	5%	P19,882 Decrease
2018	5%	P8,950 Decrease

The sensitivity range is based on the historical volatility of the Philippine Stock Exchange index (PSEi) for the past year. A movement in the opposite direction would increase/decrease total comprehensive income by the same amount, on the basis that all other variables remains constant.

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, remeasurements and retained earnings.

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.

32. Fair Value of Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at June 30, 2019 and December 31, 2018.

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 of cash and cash equivalents, short-term investments, receivables and due from related parties approximate their fair values due to the relatively short-term maturities of these financial instruments.

Security Deposits

The estimated fair value of security deposits is based on the present value of expected future cash flows using the applicable discount rates based on the current market rates of identical or similar types of loans and receivables as at reporting date. The difference between the carrying amount and fair value of security deposits is considered immaterial by management.

Financial Assets at FVPL and 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

Unquoted equity securities at FVOCI are carried at fair value since the carrying value and fair value could not be reliably determined due to 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, Due to Related Parties and Customers' Deposits

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 Debts

The fair value of long-term debts is based on the discounted value of expected future cash flows using the applicable market rates for similar types of loans as at reporting date. The difference between the carrying amount and fair value of long-term debts is considered immaterial by management.

As at June 30, 2019 and December 31, 2018, the Group has no financial instruments valued based on Level 2 and unquoted equity securities are valued based on Level 3. During the year, there were no transfers into and out of Level 3 fair value measurements.

33. Assets and Liabilities of Disposal Group Classified as Held for Sale

These represent the carrying values of the total assets and liabilities of LPC and CPHI as at December 31, 2018 which are being reclassified and presented as part of current assets and current liabilities accordingly by virtue of the subsequent sale of the entire equity interests of Canaria Holdings, Inc., a 90% owned subsidiary of Cosco, in both LPC and CPHI through a Share Purchase Agreement (SPA) executed on October 19, 2018 with Fernwood Holdings, Inc.

As at December 31, 2018, LPC and CPHI were classified as disposal group held for sale.

The PCC subsequently granted its approval to the share purchase transaction on January 17, 2019, which paved the way for the completion and closing of the transaction between the parties on February 13, 2019.

The major classes of assets and liabilities of both LPC and CPHI at the date of closing are as follows:

<i>(In thousands pesos)</i>	LPC	CPHI	Total
Cash and cash equivalents	P1,063,107	P24	P1,063,131
Receivables - net	990,137	-	990,137
Due from related parties	49,781	-	49,781
Inventories	527,329	-	527,329
Prepaid expenses and other current assets	11,782	-	11,782
Property and equipment - net	2,424,343	-	2,424,343
Investments	90,906	44,222	135,128
Investment properties - net	108,356	-	108,356
Goodwill and intangibles	1,632,160	51,432	1,683,592
Deferred tax assets - net	87,898	-	87,898
Other non-current assets	239,418	-	239,418
Assets classified as held for sale	7,225,217	95,678	7,320,895
Accounts payable, accrued expenses and other liabilities	1,640,316	402	1,640,718
Income tax payable	91,559	-	91,559
Current maturities of long-term debt, net of debt issue costs	-	16,951	16,951
Due to related parties	41,252	21,485	62,737
Retirement benefits liability	22,686	-	22,686
Liabilities related to assets held for sale	1,795,813	38,838	1,834,651
Net assets classified as held for sale	P5,429,404	P56,840	P5,486,244

No impairment loss was recognized on reclassification of the land as held for sale nor at the end of the reporting period.

34. Reclassification of Accounts

Certain accounts in 2018 consolidated financial statements have been reclassified to conform with the 2019 consolidated financial statements presentation as follows:

<i>(In thousands pesos)</i>	Note	June 30, 2018		
		As Previously Reported	Reclassification	As Restated
Statement of Income				
Other operating income		1,980,724	(594,483)	1,403,071
Cost of goods sold		63,899,696	(577,653)	63,305,213

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

COSCO CAPITAL, INC. AND SUBSIDIARIES
AGEING OF RECEIVABLES
As at June 30, 2019 and December 31, 2018

	2019	2018
Neither pas due nor impaired	2,197,637	4,400,944
Past due 1-30	631,897	1,000,302
Past due 31-60	350,128	401,786
More than 60	815,386	827,894
Impaired	48,947	40,298
	4,043,995	6,671,225