June 29, 2020

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

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

Ms. Rachel Esther J. Gumtang-Remalante
Head, Corporate Governance and Finance Department

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

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

Gentlemen:

For submission is the 1Q – 2020 Report (SEC 17-Q) of **COSCO CAPITAL, INC.**

Thank you,

Candy H. Dacanay – Datuon
Compliance Officer

COVER SHEET

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SEC Registration Number

COSCO CAPITAL, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO, MANILA

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

CANDY H. DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

1 2 **3 1**

Month **Day**

SEC FORM 17-Q

(Form Type)

Month **Day**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2020 1st 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: March 31, 2020

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:

2nd FloorTabacaleraBldg 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 three interim periods:

Performance Indicators	**Q12020**	**Q12019**
ROI	2.25%	8.80%
Profit margin	5.38%	21.88%
EBITDA to interest expense	9.04x	7.69x
Current ratio	3.89:1	3.93:1
Asset turnover	0.28:1	0.27x
Asset to equity	1.47:1	1.44:1
Debt to equity ratio	0.47:1	0.44:1

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 March 31, 2020 and 2019.

(In Thousands)	Q12020	%	Q12019	%	*INCREASE (DECREASE)*	%
REVENUES	**43,085,267**	*100.00%*	37,428,428	*100.00%*	***5,656,839***	*15.11%*
COST OF SALES/SERVICES	**35,344,924**	*82.03%*	30,432,189	*81.31%*	***4,912,735***	*16.14%*
GROSS PROFIT	**7,740,343**	*17.97%*	6,996,240	*18.69%*	***744,103***	*10.64%*
OTHER OPERATING INCOME	**827,222**	*1.92%*	734,552	*1.96%*	***92,669***	*12.62%*
GROSS OPERATING INCOME	**8,567,565**	*19.89%*	7,730,792	*20.65%*	***836,773***	*10.82%*
OPERATING EXPENSES	**5,020,400**	*11.65%*	4,437,660	*11.86%*	***582,740***	*13.13%*
INCOME FROM OPERATIONS	**3,547,165**	*8.23%*	3,293,132	*8.80%*	***254,033***	*7.71%*
OTHER INCOME (CHARGES) - net	**(342,893)**	*-0.80%*	5,681,371	*15.18%*	***(6,024,264)***	*106.04%*
INCOME BEFORE INCOME TAX	**3,204,272**	*7.44%*	8,974,503	*23.98%*	***(5,770,231)***	*-64.30%*
INCOME TAX EXPENSE	**885,153**	*2.05%*	784,967	*2.10%*	***100,186***	*12.76%*
NET INCOME FOR THE PERIOD	**2,319,119**	*5.38%*	8,189,536	*21.88%*	***(5,870,416)***	*-71.68%*
CORE NET INCOME	**2,319,119**	*5.38%*	2,056,094	*5.49%*	***263,025***	*12.79%*
CORE NET PATMI	**1,413,976**	*3.28%*	1,316,364	*3.52%*	***97,612***	*7.42%*
PATMI	**1,413,976**	*3.28%*	6,836,461	*22.79%*	***(5,422,485)***	*-79.32%*
Non-controlling interests	**905,143**	*2.10%*	1,353,074	*4.12%*	***(447,931)***	*-33.10%*
	2,319,119	*5.38%*	8,189,536	*26.91%*	***(5,870,416)***	*-71.68%*
EARNINGS PER SHARE (EPS)	**0.20285**		0.97435			*-79.18%*
CORE EPS	0.20285		0.18761			*8.12%*

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P43.08 Billion for the quarter ended March 31, 2020 which reflects an increase by P5.65 Billion or representing a growth of 15.11% compared to last year's revenue of P37.43 Billion.

The revenues of the group's business segments during the first quarter have been affected by the business and social disruptions resulting from the Philippine Government imposed closure of the commercial malls as well as other non-essential business establishments and related community quarantine and lockdown impositions effective on March 16, 2020 in response to the global Covid-19 pandemic. The extent of the initial business impacts are more fully described in the specific segment operating and financial highlights section.

Growth in Net Income

During the same period, the Group realized a consolidated net income of P2.32 Billion which is lower by P5.87 Billion representing a decline of 71.68% as compared to last year's net income of P8.19 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 Liquigaz Philippines Corporation amounting to P6.13 BB. Excluding this one-time gain on sale of investment, core consolidated net income for the period ended March 31, 2020 amounted to P2.32 Billion at 5.37% net margin and for a growth of 12.79%.

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

Net income attributable to equity holders of the parent company (PATMI) in 2020 amounted to about P2.32 Billion which decreased by about P5.42 Billion or 79.32% as compared to the 2019 PATMI amounting to P86.84 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2020 would amount to P1.41 Billion which is 7.42% higher than the 2019 PATMI.

Grocery Retail Segment

During the first three-months of 2020, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P40.95 Billion or an increase of P6.06 Billion or about 17.38% growth as compared to the segment's revenue contribution of P34.89 Billion for the same period of last year brought about by its continued aggressive stores expansion program and management's combined efforts to boost revenue.

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

Consolidated net income contribution in 2020 amounted to P1.76 Billion which increased by P253.737 Million or 16.81% as compared to the net income contribution of P1.51 Billion in the same period in 2019.

Real Estate Segment

The commercial real estate business segment contributed P367.47 Million to the Group's consolidated revenue in 2020 representing a decline of 2.39% from the segment's revenue contribution during the same period last year amounting to P376.48 Million. This was mainly attributable to the government imposed temporary closures of all malls and commercial assets and the management's waiver of rentals and related fees and charges due to the enhanced community quarantine lockdown.

Consolidated net income contribution in 2020 amounted to about P294.97 Million which decreased by about P18.46 Million or 5.89% as compared to the net income contribution of P313.43 Million in 2019.

Liquor Distribution Segment

The liquor distribution business segment contributed about P1.23 Billion to the Group's consolidated revenue during the same period in 2020 representing a decrease by about P313.95 Million or 20.34% higher as compared to the 2019 revenue contribution of P1.54 Billion. The decline is mainly attributable to the liquor ban imposed nationwide during the enhanced community quarantine lockdown that stated on March 16, 2020.

Consolidated net income contribution in 2020 amounted to about P232.58 Million which increased by P1.53 Million or 0.66% which is the same level to the net income contribution in 2019 amounting to P231.05 Million.

Specialty Retail Segment

Office Warehouse, Inc. contributed about P535.48 Million to the Group's consolidated revenue during the first quarter of 2020 representing a decrease by about P84.43 Million or 13.62% lower as compared to the 2019 revenue contribution of P619.91 Million.

The decline was mainly attributable to the government imposed lockdown and community quarantine starting on March 16, 202022 and the temporary closure of the company's store outlets having been classified as non-essential business.Net income contribution in 2020 amounted to about P19.13 Million which decreased by P10.04 Million or 34.43% as compared to the net income contribution in 2019 amounting to P29.17 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 March 31, 2020, the Grocery Retail segment posted a consolidated net sales of P40,953 million for an increase of P6,064 million or a growth of 17.4% compared to P34,889 million in the same period of 2019. The full operation of new organic stores put up in 2019 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 quarter of 2020.

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

	PGOLD		S&R	
	2020	2019	**2020**	2019
Net Sales	**14.4%**	7.1%	**5.1%**	9.4%
Net Ticket	**24.3%**	9.1%	**9.0%**	8.0%
Traffic	**-7.9%**	-1.8%	**-3.6%**	1.3%

Gross Profit

For the period ended March 31, 2020, the Grocery Retail segment realized an increase of 13.3% in consolidated gross profit from P6,122 million in 2019 at 17.5% margin to P6,935 million at 16.9% margin in the same period of 2020, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income increased by P94 million or 12.8% from P729 million in the three months of 2019 to P823 million in the same period of 2020. This is attributable to increase in concess income and membership income driven mainly by new stores opened during the year and full operation of new stores opened in 2019.

Gross Operating Income

Gross operating income for the first quarter of 2020 amounted to P7,757 million at a gross operating margin of 18.9% which grew by 13.2% from P6,851 million at 19.6% margin in the same period of 2019.

Operating Expenses

Operating expenses increased by P511 million or 11.9% from P4,280 million in the three-month period ended March 31, 2019 to P4,791 million in the same period of 2020. 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 and utilities principally related to the establishment and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P476 million and P433 million for the three-month periods ended March 31, 2020 and 2019, respectively. Interest income increased in March 2020 due to higher placement in short-term investment as compared to the same period of 2019. Interest expense increased as well due to accretion of interest, pertaining to PFRS 16 – Leases, for both old and new stores.

Net Income

For the period ended March 31, 2020, the Grocery Retail segment earned a consolidated net income of P1,763 million at 4.3% net margin and an increase of 16.8% from P1,510 million at 4.3% net margin in the same period of 2019. This was principally driven by the continuous organic expansion of the Grocery Retail segment's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores.

Commercial Real Estate

The Group's Real Estate Segment posted P535.13 Million in revenues in the three-month period ended March 31, 2020 or a 1.2% decrease from P541.61 Million in the same period of 2018. This was mainly attributable to the temporary closures of all mall and commercial assets due to the enhanced community quarantine lockdown imposed by the national government and the management's response to waive the rentals and other charges for all affected mall tenants during the second half of March 2020.

Income from operations before depreciation increased by P31.15 Million from P384.91 Million in 2018 to P416.06 Million for the three-month period ended March 31, 2020.

Net income for the period amounted to P294.97 Million or a 5.89% decrease from last year's P313.43 Million brought about by decline in rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment decreased to P1.85 Billion in 2020 or 13.01% decline from last year's P2.12 Billion and a decline of 9% in volume (no. of cases) of sales.

The decline in revenue directly resulted from the government imposed nationwide liquor ban starting March 16, 2020 as part of the government's community quarantine and lockdown in response to the Covid-19 pandemic.

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

Income from operations, however, decreased to P319.86 Million in 2019 or 2.4% decline from last year's P327.73 Million

Net income for the 2020 period slightly increased by P2.90 Million from P229.70 Million in 2019 to P232.59 Million in 2020.

Specialty Retail

Office Warehouse

As at March 31, 2020, the company had expanded its retail network to 88 stores from 46 stores at acquisition date, with a net selling area of 15,489 sqm..

Sales revenues decreased to P535.48 Million in 2020 or 13.65% decline as compared to the 2019 revenue contribution of P621.00 Million mainly attributable to the temporary closure of all the company's store outlets due to the lockdown and community quarantine imposed by the government which started on March 16, 2020 that lasted until June 1, 2020. The lockdown resulted to a negative SSSG of 15.33% during the first quarter of 2020.

Net income contribution in 2020 amounted to about P19.13 Million which decreased by P10.04 Million or 34.43% decline as compared to the net income contribution in 2019 amounting to P29.17 Million

IV. FINANCIAL CONDITION

Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group as at March 31, 2020 and December 31, 2019:

(In Thousands)	2020	%	2019	%2	INCREASE (DECREASE)	%3
ASSETS						
Cash and cash equivalents	**20,557,987**	13.41%	24,402,014	15.80%	**(3,844,027)**	-15.75%
Receivables - net	**15,351,312**	10.01%	16,637,892	10.77%	**(1,286,580)**	-7.73%
Financial asset at FVOCI	**9,209**	0.01%	9,209	0.01%	**-**	-
Financial asset at FVPL	**25,418**	0.02%	34,921	0.02%	**(9,502)**	-27.21%
Inventories	**24,787,646**	16.17%	24,722,271	16.01%	**65,375**	0.26%
Due from related parties	**232,051**	0.15%	192,068	0.12%	**39,983**	20.82%
Prepayments and other current assets	**2,607,523**	1.70%	2,000,503	1.30%	**607,020**	30.34%
Total current assets	**63,571,145**	41.46%	67,998,877	44.03%	**(4,427,732)**	-6.51%
Noncurrent Assets						
Property and equipment - net	**28,165,789**	*18.37%*	27,927,953	*18.08%*	**237,835**	0.85%
Right-of-use assets	**21,428,722**	*13.98%*	21,700,103	*14.05%*	**(271,380)**	-1.25%
Investment properties - net	**11,104,546**	*7.24%*	11,125,998	*7.20%*	**(21,452)**	-0.19%
Intangibles and goodwill - net	**21,083,712**	*13.75%*	21,089,717	*13.65%*	**(6,005)**	-0.03%
Investments	**736,985**	*0.48%*	741,175	*0.48%*	**(4,190)**	-0.57%
Deferred tax assets-net	**599,516**	*0.39%*	566,284	*0.37%*	**33,232**	5.87%
Other non-current assets	**6,624,231**	*4.32%*	3,299,789	*2.14%*	**3,324,442**	100.75%
Total noncurrent assets	**89,743,501**	*58.54%*	86,451,018	*55.97%*	**3,292,483**	3.81%
Total Assets	**153,314,646**	*100.00%*	154,449,895	*100.00%*	**(1,135,249)**	-0.74%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**11,768,093**	*7.68%*	15,127,981	*9.79%*	**(3,359,888)**	-22.21%
Income tax payable	**2,075,409**	*1.35%*	1,164,727	*0.75%*	**910,682**	78.19%
Short-term loans payable	**498,225**	*0.32%*	871,124	*0.56%*	**(372,900)**	-42.81%
Current portion of long-term borrowing	**43,712**	*0.03%*	43,685	*0.03%*	**27**	0.06%
Lease liability	**474,080**	*0.31%*	567,682	*0.37%*	**(93,602)**	-16.49%
Due to related parties	**876,326**	*0.57%*	1,343,460	*0.87%*	**(467,133)**	-34.77%
Other current liabilities	**599,077**	*0.39%*	596,992	*0.39%*	**2,085**	0.35%
Total current liabilities	**16,334,921**	*10.65%*	19,715,651	*12.77%*	**(3,380,729)**	-17.15%
Noncurrent Liabilities						
Retirement benefit liability	**951,437**	*0.62%*	955,818	*0.62%*	**(4,381)**	-0.46%
Lease liability-net of current portion	**26,113,237**	*17.03%*	26,101,259	*16.90%*	**11,978**	0.05%
Deferred tax liabilities	**135,056**	*0.09%*	128,586	*0.08%*	**6,470**	5.03%
Long term loans payable - net of debt issue cost	**5,094,577**	*3.32%*	5,094,577	*3.30%*	**-**	-
Other non-current liabilities	**530,550**	*0.35%*	393,219	*0.25%*	**137,331**	34.92%
Total noncurrent liabilities	**32,824,857**	*21.41%*	32,673,459	*21.15%*	**151,398**	0.46%
Total Liabilities	**49,159,779**	*32.06%*	52,389,110	*33.92%*	**(3,229,331)**	-6.16%
EQUITY						
Additional paid-in capital	**9,634,644**	*6.28%*	9,634,644	*6.24%*	**-**	-
Remeasurement of retirement liability - net of tax	**5,412**	*0.00%*	5,412	*0.00%*	**-**	-
Reserve for fluctuations in value of financial assets at FVOC	**5,603**	*0.00%*	5,603	*0.00%*	**-**	-
Treasury shares	**(1,629,011)**	*-1.06%*	(1,403,974)	*-0.91%*	**(225,037)**	16.03%
Retained earnings	**55,581,188**	*36.25%*	54,167,213	*35.07%*	**1,413,976**	2.61%
Total Equity Attributable to Equity Holders of Parent Company	**71,003,100**	*46.31%*	69,814,161	*45.20%*	**1,188,939**	1.70%
Non-controlling interest	**33,151,767**	*21.62%*	32,246,624	*20.88%*	**905,143**	2.81%
Total Equity	**104,154,868**	*67.94%*	102,060,785	*66.08%*	**2,094,082**	2.05%
Total Liabilities and Equity	**153,314,646**	*100.00%*	154,449,895	*100.00%*	**(1,135,249)**	-0.74%

Current Assets

Cash and cash equivalents amounted to P20.56 Billion as at March 31, 2020 with a decrease of P3.84 Billion or 15.75% from December 31, 2019 balance. The decrease was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2019 cash dividends, settlement of loans and payments for capital expenditures during the period.

Receivables decreased by 7.73% from December 31, 2019 balance of P16.64 Billion to this year's balance of P15.35 Billion due mainly to the collections made.

Financial assets at fair value through profit or loss (FVPL) decreased by 27.21% from December 31, 2019 balance of P34.92 Million to this period's balance of P25.42 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 0.26% from 2019 balance of P24.72 Billion to this period's balance of P24.79 Billion due additional stocking requirement of existing and new operating stores, as well as the additional stocking requirements of the Liquor Distribution segment. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P19.33 Billion.

Prepaid expenses and other current assets increased by P607.02 Million or 30.34% at the end of March 2020, mainly due to additional of prepayments made for advertising, taxes and licenses, availment of new policies for insurance of new stores and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties increased by P39.98 Million at the end of March 2020, due primarily to additional advances made.

Non-current Assets

As at March 31, 2020 and December 31, 2019, total non-current assets amounted to P89.74 Billion or 58.54% of total assets, and P86.45 Billion or 55.97% of total assets, respectively, for an increase of P3.29 Billion or 3.81%.

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 P237.83 Million from P27.93 Billion in December 2019 to P28.16 Billion in March 2020 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU decreased by P271.38 Million from P21.70 Billion in December 2019 to P21.43 Billion in December 2020 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same period.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties decreased by P21.45 Million from P11.12 Billion in December 2019 to P11.10 Billion in March 2020.

Investments decreased by P4.19Million from P736.98 Million in December 2019 to P741.17 Million in March 2020.

Intangibles and goodwill-net decreased by P6.0 Million from P21.09 Billion in December 2019 to P21.08 Billion in March 2020 primarily due to the amortizations.

Deferred tax assets increased by P33.23 Million or 5.87% from P5666.28 Million in December 2019 to P599.52 Million in March 2020 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 P3.32 Billion from P3.30 Billion in December 2019 to P6.62 Billion in March 2020. About 34% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline as well as the accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at March 31, 2020 and December 31, 2019, total current liabilities amounted to P16.33 Billion and P19.71 Billion respectively, for a decrease of P3.38 Billion or 17.15%.

About 75% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The decrease by P3.36 Billion or 22.21% was primarily due to the settlements of trade and non-trade liabilities and declaration of dividends by the Grocery Retail segment and Parent Company in 2019.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P910.68 Million from P1.16 Billion as at December 2019 to P2.07 Billion as at March 31, 2020 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the first quarter in 2020 in relation to the same period in 2019.

Short-term loans payable account decreased by P372.90 Million mainly due to settlements made by the Grocery Retail, Real Estate and Liquor Distribution segments.

Current portion of long-term borrowing increased by P0.27 Million mainly due to amortization of debt issue cost.

Lease liabilities due within one year account decreased by P93.60 Million from P567.68 Million in December 2019 to P474.08 Million in March 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Due to related parties decreased by P467.13 Million mainly due to the settlements made.

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

Noncurrent Liabilities

As at March 31, 2020 and December 31, 2019, total non-current liabilities amounted to P32.82 Billion and P32.67 Billion, respectively, for an increase of P151.40 Billion or 0.46%.

Long-term loans payable-net of current portion amounted to P5.09 Billion as at March 31, 2020.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P11.98 Million from P26.10 Billion in December 2019 to P26.11 Billion in March 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Other non-current liabilities increased by P137.33 Million or 34.92% from P393.22 Million in December 2019 to P530.55 Million as at March 31, 2020 due to application of customer deposits and advance rentals by the Real Estate segment.

Equity

As at March 31, 2020 and December 31, 2019, total equity amounted to P104.15 Billion and P102.06 Billion, respectively, for an increase of P2.09 Billion or 2.05%.

Treasury shares increased by P225.04 million from P1.40 Billion in December 2019 to P1.63 Billion as at March 31, 2020 due to additional buyback by the Parent Company during the year in relation to the buyback program.

Retained earnings increased by P1.41 Billion or 2.61% from P54.17 Billion in December 2019 to P54.12 Billion as at March 2020 due to profit realized by the Group.

Non-controlling interest increased by P905.14 Million or 2.81% from P32.25 Billion in December 2019 to P33.15 Billion as at March 31, 2020 mainly due to share in the consolidated profit.

V. SOURCES AND USES OF CASH

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

(In Thousands)		For the Three-month period ended March 31		
		2020		2019
Net cash from (used in) operating activities	**P**	**2,419,785**	P	736,309
Net cash from (used) investing activities		**(4,018,926)**		8,420,459
Net cash used in financing activities		**(2,456,734)**		(1,765,846)
Net Increase (decrease) in cash and cash equivalents	**P**	**(4,053,855)**	P	7,396,612

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

On the other hand, net 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 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 Regulation Code, the issuer has duly caused this SEC 17-Q1 – 2020 report to be signed on its behalf by the undersigned thereunto duly authorized.

Manila, June 29, 2020.

COSCO CAPITAL, INC.

By:

Lucio L. Co
Chairman

Leonardo B. Dayao
President

Teodoro A. Polinga
Comptroller

SECTION A

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

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COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2020 and December 31, 2019

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	March 31 and December 31 2020 (Unaudited)	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P20,559,328**	P24,402,014
Receivables - net	*5*	**15,349,970**	16,637,892
Inventories	*6, 20*	**24,787,646**	24,722,271
Financial assets at fair value through profit or loss	*7*	**25,418**	34,921
Financial assets at fair value through other comprehensive income	*8*	**9,209**	9,209
Due from related parties	*25*	**232,051**	192,068
Prepaid expenses and other current assets	*9, 35*	**2,607,523**	2,000,500
Total Current Assets		**63,571,145**	67,998,875
Noncurrent Assets			
Investments in associates and joint ventures	*10*	**741,175**	741,175
Right of use of assets - net	*21*	**21,428,722**	21,700,103
Property and equipment - net	*11*	**28,165,789**	27,927,953
Investment properties - net	*12*	**11,104,546**	11,125,998
Goodwill and other intangibles - net	*13*	**21,083,712**	21,089,717
Deferred oil and mineral exploration costs - net	*14*	-	-
Deferred tax assets - net	*27*	**599,516**	566,284
Other noncurrent assets	*15, 23, 35*	**6,624,231**	3,299,789
Total Noncurrent Assets		**89,747,690**	86,451,019
		P153,318,836	P154,449,894
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*16*	**P11,772,336**	P15,127,981
Income tax payable		**2,075,409**	1,164,727
Lease liabilities due within one year	*21*	**474,080**	567,682
Short-term loans	*17*	**498,225**	871,124
Current maturities of long-term loans due within one year	*17*	**43,685**	43,685
Due to related parties	*25*	**876,326**	1,343,460
Other current liabilities	*18*	**599,050**	596,992
Total Current Liabilities		**16,339,111**	19,715,651

Forward

	Note	March 31 and December 31 2020 (Unaudited)	2019
Noncurrent Liabilities			
Long-term loans	*17*	**5,094,577**	5,094,577
Lease liabilities	*21*	**26,113,237**	26,101,259
Deferred tax liabilities - net	*27*	**135,056**	128,586
Retirement benefits liability	*26*	**951,437**	955,818
Other noncurrent liabilities	*21*	**530,550**	393,219
Total Noncurrent Liabilities		**32,824,857**	32,673,459
Total Liabilities		**49,163,968**	52,389,110
Equity			
Capital stock	*28*	**7,405,264**	7,405,264
Additional paid-in capital	*28*	**9,634,644**	9,634,644
Treasury stock	*28*	**(1,629,011)**	(1,403,974)
Retirement benefits reserve	*26*	**5,412**	5,412
Other reserve	*8*	**5,603**	5,602
Retained earnings		**55,581,188**	54,167,212
Total Equity Attributable to Equity Holders of the Parent Company		**71,003,100**	69,814,160
Noncontrolling Interests		**33,151,767**	32,246,624
Total Equity		**104,154,868**	102,060,784
		P153,318,836	P154,449,894

See Notes to the Consolidated Financial Statements.

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

		Periods Ended March 31	
	Note	**2020 (Unaudited)**	2019
REVENUES	*19, 29*		
Net sales		**P42,717,793**	P37,051,946
Rent		**367,474**	376,482
		43,085,267	37,428,428
COST OF REVENUES	*20*		
Cost of goods sold		**35,193,613**	30,282,325
Cost of rent		**151,310**	149,864
		35,344,923	30,432,189
GROSS INCOME		**7,740,344**	6,996,240
OTHER REVENUE	*22*	**827,222**	734,552
TOTAL GROSS INCOME AND OTHER REVENUE		**8,567,565**	7,730,792
OPERATING EXPENSES	*23*	**5,020,400**	4,437,660
INCOME FROM OPERATIONS		**3,547,165**	3,293,132
OTHER INCOME (CHARGES)			
Interest expense	*17, 21*	**(504,7700)**	(543,192)
Interest income	*4*	**160,296**	101,780
Others - net	*24*	**1,581**	6,136,013
		(342,893)	5,694,601
INCOME BEFORE INCOME TAX		**3,204,272**	8,987,733
PROVISION FOR INCOME TAXES	*27*	**885,153**	784,967
NET INCOME		**P2,319,119**	P8,202,766
Net income attributable to:			
Equity holders of the Parent Company		**P1,413,976**	P6,848,368
Noncontrolling interests		**905,143**	1,354,397
		P2,319,119	P8,202,766
Basic/diluted earnings per share attributable to equity holders of the Parent Company	*30*	**P0.20285**	P0.976051

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands except Per Share Data)

		Periods Ended March 31	
	Note	**2020 (Unaudited)**	2019
NET INCOME		**P2,319,119**	P8,202,766
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will never be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefits		**-**	-
Unrealized gain (loss) on financial assets	*8*	**-**	-
Income tax effect		**-**	-
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**P2,319,119**	P8,202,766
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**P1,413,976**	P6,848,368
Non-controlling interests		**905,143**	1,354,397
		P2,319,119	P8,202,766

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands Except per Share Data)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock	**Additional Paid-in Capital**	**Treasury Shares**	**Retirement Benefits Reserve**	**Other Reserve**	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
Balance at December 31, 2018	7,405,264	9,634,644	(P1,197,727)	P113,822	P3,420	P44,117,142	P60,076,565	P27,185,839	**P87,262,404**
Total comprehensive income for the year									
Effect of business combination	-	-	-	-	-	330,7845	330,784	(222,574)	**107,979**
Net income for the year	-	-	-	-	-	6,848,368	6,848,368	1,354,397	**8,202,766**
Other comprehensive income (loss)	-	-	-	-	(231)	-	(231	-	(231)
	-	-	-	-	(231)	7,179,153	7,767,582	1,131,823	**8,310,745**
Acquisition of treasury shares	-	-	(85,740)	-	-	-	(85,740)	-	**(85,740)**
Cash dividends declaration	-	-	-	-	-	(726,471)	(726,471)	(562,457)	**(1,288,928)**
	-	-	(85,740)	-	-	726,471)	(726,471)	(562,457)	**(1,374,668)**
Issuance of shares by a subsidiary									
Gain on dilution of ownership interest	-	-	-	-	-	1,313,808	1,313,808	-	1,313,808
Increase in noncontrolling interests	-	-	-	-	-	-	-	3,321,772	3,321,772
	-	-	-	-	-	1,313,808	1,313,808	3,321,772	**4,635,580**
Balance at March 31, 2019	P7,405,264	P9,634,644	(P1,283,466)	P113,822	P3,189	P51,883,632	P67,757,085	P31,076,976	**P98,834,061**
Balance at December 31, 2019	P7,405,264	P9,634,644	(P1,403,974)	P5,412	P5,602	P54,167,212	P69,814,160	P32,246,624	**P102,060,784**
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	1,413,976	1,413,97	905,143	**2,319,119**
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	**-**
	-	-	-			1,413,976	1,413,97	905,143	**2,319,119**
Acquisition of treasury shares	-	-	(225,037)	-	-	-	(225,037)	-	**(225,037)**
Cash dividend declaration	-	-	-	-	-	-	-	-	**-**
Balance at March 31, 2020	**P7,405,264**	**P9,634,644**	**(P1,629,011)**	**P5,412**	**P5,602**	**P55,581,188**	**P71,003,099**	**P33,151,767**	**P104,154,867**

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Periods Ended March 31	
	Note	**2020 (Unaudited)**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P3,204,272**	P8,974,503
Adjustments for:			
Gain on sale of subsidiary	*10, 33*	**-**	(6,133,441)
Depreciation and amortization	*11, 12, 13*	**1,028,668**	908,090
Interest expense	*17, 21*	**504,770**	543,192
Interest income	*4*	**(160,296)**	(101,780)
Unrealized foreign exchange loss (gain)		**(2,242)**	(5,690)
Gain on insurance claims	*24*	**(513)**	-
Unrealized loss (gain) on financial assets at FVPL	*7, 24*	**9,502**	(418)
Dividend income	*25*	**(652)**	(173)
Operating income before changes in working capital		**4,583,509**	4,171,051
Decrease (increase) in:			
Receivables		**1,287,922**	2,479,259
Inventories		**(65,375)**	(950,327)
Prepaid expenses and other current assets		**(612,634)**	(938,515)
Due from related parties		**(39,983)**	(228,522)
Increase (decrease) in:			
Accounts payable and accrued expenses		**(2,000,401)**	(3,589,693)
Due to related parties		**(467,133)**	(30,238)
Other current liabilities		**2,058**	(8,469)
Other noncurrent liabilities		**137,329**	(47,779)
Cash generated from operations		**2,825,293**	856,766
Interest paid	*27*	**(82,839)**	(120,457)
Net cash provided by operating activities		**2,742,453**	736,309

Forward

	Note	2020 (Unaudited)	2019
		Periods Ended March 31	
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	*11*	**(P823,798)**	(P987,019)
Investment properties	*12*	**(33,571)**	(99,884)
Deferred mineral and oil exploration		**-**	(2,840)
Intangibles	*13*	**-**	(8,117)
Proceeds from:			
Sale of interest in a subsidiary	*33*	**-**	13,100,000
Insurance claims	*24*	**513**	-
Disposal of property and equipment		**1,424**	124,133
Effect of business combination		**-**	(1,898,089)
Interest received		**160,296**	101,780
Increase in other noncurrent assets		**(3,436,163)**	(1,909,679)
Dividends received	*25*	**652**	173
Net cash from (used in) investing activities		**(4,130,647)**	8,420,459
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of lease:		**(502,766)**	(389,716)
Payments of:			
Short-term loans	*17*	**(372,900)**	(3,491,411)
Long-term loans	*17*	**-**	(1,440,000)
Payments of:			
Cash dividends		**(1,356,031)**	(1,288,928)
Availment of short-term loans	*17*	**-**	294,370
Proceeds from top-up placements	*1*	**-**	4,635,580
Buyback of capital stocks	*28*	**(225,037)**	(85,740)
Net cash used in by financing activities		**(2,456,734)**	(1,765,846)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**2,242**	5,690
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,784,494)**	7,396,612
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**24,402,014**	16,784,861
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P20,559,328**	P24,181,472

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Cosco Capital, Inc. (the Parent Company or Cosco), formerly Alcorn Gold Resources Corporation, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 19, 1988. Its shares of stock are publicly traded in the Philippine Stock Exchange (PSE) since September 26, 1988. As at December 31, 2019 and 2018, the Parent Company's public float stood at 23.74% and 24.69%.

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

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

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

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

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

As a result of the above transaction, the companies mentioned above became subsidiaries of Cosco. The transaction was accounted for using the pooling of 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.

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

	Effective Percentage of Ownership			
	2020		2019	
	Direct	**Indirect**	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) [a] and Subsidiaries	49.16[e]	-	49.16[e]	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	-	49.16[e]	-	49.16[e]
¤ S&R Pizza (Harbor Point), Inc.	-	49.16[e]	-	49.16[e]
¤ S&R Pizza, Inc.	-	49.16[e]	-	49.16[e]
▪ PPCI Subic, Inc. (PSI)	-	49.16[e]	-	49.16[e]
▪ Entenso Equities Incorporated (EEI) and Subsidiaries	-	49.16[e]	-	49.16[e]
¤ Goldtempo Company Incorporated (GCI) [a]	-	-	-	-
¤ Daily Commodities, Inc. [a]	-	-	-	-
¤ First Lane Super Traders Co., Inc. [a]	-	-	-	-
▪ Purepadala, Inc. [c]	-	49.16[e]	-	49.16[e]
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	-
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] *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 made a Php4,693,500,000 top-up placement of 104.3 million common shares at a price of Php45.00 per share. The additional shares were issued on March 5, 2019 for total proceeds of P4.6 billion, which resulted in a dilution of the Parent Company's ownership interest of in PPCI from 51.02% to 49.16%. The Parent Company retains the control over PPCI (see Note 3).*

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on June 9, 2020.

Historical cost is used as the measurement basis except for:

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

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

<u>Functional and Presentation Currency</u>

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

<u>Significant Judgments, Estimates and Assumptions</u>

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

<u>Judgments</u>

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

Determining Term and Discount Rate of Lease Arrangements (Note 21)

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

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

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

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

For leases of buildings, stores, distribution centers and warehouses, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

- Otherwise, the Group considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

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

Operating Leases - Group as a Lessor (Note 21)
The Group has entered into various lease agreements as a lessor to lease its investment properties and sublease portion of its stores to various lessees. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent income recognized in profit or loss amounted to P367.47 million and P376.48 million in 2020 and 2019, respectively.

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

Estimating Vendor Allowances (Notes 3)
When vendor allowances cannot specifically be identified in the purchase price of products, the Group must estimate the allowances that are earned based on the fulfillment of its related obligations. These estimates may require management to estimate the volume of purchases that will be made during a period of time.

Estimating Allowance for Impairment Losses on Receivables (Note 5)
The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of the receivable and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease current assets.

As at March 31, 2020 and December 31, 2019, the carrying amount of receivables amounted to P15.35 billion and P16.64 billion while the allowance for impairment losses amounted to P48.9 million.

Estimating Net Realizable Value (NRV) of Merchandise Inventories (Note 6)
The Group carries merchandise inventory at NRV whenever the selling price less costs to sell becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly.

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

The carrying amount of merchandise inventories amounted to P24.78 billion and P24.72 billion as at March 31, 2020 and December 31, 2019, respectively.

Impairment of Goodwill and Other Intangibles with Indefinite Lives (Note 13)
The Group determines whether goodwill, trademarks and customer relationships are impaired at least annually. This requires the estimation of the recoverable amounts of the goodwill, trademarks and customer relationships. Estimating recoverable amounts requires management to make an estimate of the expected future cash flows from the cash-generating unit to which the goodwill, trademarks and customer relationships relate and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of goodwill and other intangibles with indefinite useful lives totaled P20.9 billion as at March 31, 2020 and December 31, 2019 .

Impairment of Other Non-Financial Assets
The Group assesses impairment on other non-financial assets when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

- significant negative industry or economic trends.

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

There are no impairment indicators affecting the Group's non-financial assets as at March 31, 2020 and December 31, 2019, except for deferred oil and mineral exploration costs which management assessed to be impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects (see Note 14). The Group recognized a full impairment loss of P128.1 million in 2019 (see Note 23).

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

	Note	**2020**	2019
Property and equipment - net	*11*	**P28,165,789**	P27,927,953
Investment properties - net	*12*	**11,104,546**	11,125,998
Investments in joint venture and associate	*10*	**741,175**	741,175
Computer software and licenses, and leasehold rights	*13*	**231,071**	237,077
Right-of-use assets - net	*21*	**21,428,722**	21,700,103

Estimating Realizability of Deferred Tax Assets (Note 27)

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

As at March 31, 2020 and December 31, 2019, the Group recognized net deferred tax assets amounting to P464.46 million and P437.7 million, respectively.

Estimating Retirement Benefits Liability (Note 26)

The present value of the retirement benefits liability depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for retirement benefits include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits liability. Other key assumptions include future salary, mortality and attrition. Additional information is disclosed in Note 26.

Retirement benefits liability amounted to P951.4 million and P955.8 million as at March 31, 2020 and December 31, 2019, respectively.

3. Summary of Significant Accounting Policies

The Group has consistently applied the accounting policies to all years presented in these consolidated financial statements, except for the changes below.

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

The Group adopted the following relevant new standards, amendments to standards and interpretations starting January 1, 2019 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.

- PFRS 16, *Leases*

  The Group applied PFRS 16 with a date of initial application of January 1, 2019. As a result, the Group changed its accounting policies for lease contracts as detailed below.

  The Group applied PFRS 16 using the retrospective approach. The adoption of PFRS 16 has resulted in restatements of the Group's 2018 and 2017 comparative amounts; see Note 35 for more information.

- Previously held interest in a joint operation (Amendments to IFRS 3, *Business Combinations* and PFRS 11*, Joint Arrangements*)

  The amendments to PFRS 3 and PFRS 11 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 3 apply prospectively for annual periods beginning on or after January 1, 2019. These amendments have no impact on the consolidated financial statements.

- 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. These amendments have no impact on the consolidated financial statements.

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

  The amendments to PAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: (i) calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change; (ii) recognize any reduction in a surplus immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement; and (iii) separately recognize any changes in the asset ceiling through other comprehensive income. These amendments have no impact on the consolidated financial statements.

- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28, *Investments in Associates and Joint Ventures)*

  The amendments to PAS 28 were made to clarify that PFRS 9, "Financial Instruments," applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These amendments have no impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 23*, Uncertainty over Tax Treatments*

  IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, while also aiming to enhance transparency. IFRIC 23 became effective on January 1, 2019. The interpretation does not have an impact on the consolidated financial statements.

<u>New Accounting Policies Not Yet Effective for 2019</u>
A number of standards, or revisions to standards, that are not yet effective for 2019, but will become effective in coming years.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*)

  The amendments to PAS 1 and PAS 8 clarify the definition of material and how it should be applied by stating 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 to PAS 1 and PAS 8 apply prospectively for annual periods beginning on or after January 1, 2020. The Group does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*)

  The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term "outputs" is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments 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 to PFRS 3 apply prospectively for annual periods beginning on or after January 1, 2020. The Group anticipates that the amendments could result in more acquisitions being accounted for as asset acquisitions.

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

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

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

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

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

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

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

Common Control Business Combinations
Business combinations involving entities under common control are business combinations in which all of the entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02, *PFRS 3.2 Common Control Business Combinations.*
The purchase method of accounting is used, if the transaction was deemed to have commercial substance from the perspective of the reporting entity. In determining whether the business combination has commercial substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

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

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

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

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

Segment Reporting
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 29 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.

Financial Instruments

Financial Assets

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

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

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

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

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

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

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

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

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

- payment record - this includes overdue status as well as a range of variables about payment ratios.

- existing and forecast changes in the business, financial and economic conditions.

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

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

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

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

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

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

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

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

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

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

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

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

The Group's equity securities are included in this category.

The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at March 31, 2020 and December 31, 2019.

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

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

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

The Group's investments in equity securities traded in the PSE is included under this category.

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

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

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

(a) financial liabilities designated by the Group at initial recognition as at fair value through profit or loss, when doing so results in more relevant information.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.

(d) financial guarantee contracts and commitments to provide a loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

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

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

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

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 estimated 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.

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

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

Fair Value Measurements

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

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

Inventories

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

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

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

Investments in Joint Arrangements and Associates

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

	Number of Years
Land improvements	25
Buildings	10 - 50

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

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

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

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

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

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

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

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

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

Goodwill and Other Intangibles
Goodwill and Impairment of Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition. It is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Group at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of associates and joint ventures is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other Intangible Assets
Separately acquired intangible assets are carried at cost less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are recognized at fair value at the date of acquisition. Trademarks and customer relationships acquired in business acquisitions are stated at acquisition date fair value determined using an income approach.

Trademarks and other intangible asset with indefinite lives are assessed for impairment annually, or whenever there is an indication that the asset may be impaired.

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 Other Non-financial Assets

The Group assesses whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes. The carrying value of the store includes mainly its property, plant and equipment and right-of-use assets (if held under a lease arrangement). The recoverable amount is the higher of an asset's fair value less costs of disposal or the asset's value in use.

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.

An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

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

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

Retained earnings include all current and prior period results as reported in profit or loss, prior period adjustments less declaration of dividends.

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

Treasury Stock

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

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.

Other Comprehensive Income

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

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

- *Merchandise Sales* - The Group generally recognizes sale of merchandise at the point of sale when customer takes possession of goods and tenders payment. At point of sale, the performance obligation is satisfied because control of the merchandise transfers to the customer. Revenue is recorded at the point of sale based on the transaction price on the merchandise tag, net of any applicable discounts, sales taxes and refunds. For e-commerce sales, the Group recognizes sales upon delivery of goods through its online channel.

- *Concession Fee Income* - The Group enters into certain agreements with concessionaires that offer goods to the Group's customers. In exchange, the Group receives payment in the form of commissions based on a specified percentage of the merchandise sales. The Group serves as agent in these contracts and recognizes the net amount earned as commissions in the period in which the event or condition that triggers the payment occurs.

- *Membership* - The Group charges a membership fee to its customers. The fee allows the customer to shop in the Group's stores for the duration of the membership, which is generally 12 months. The Group recognizes the fee in the period in which it occurs.

- *Gift Certificates* - The Group recognizes revenue from the sale gift certificates when the gift certificate is redeemed by customer.

- *Other Income* - The Group recognizes various incidental income in the period in which the services/goods were rendered/delivered.

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

The interpretation is approved on February 14, 2018, with an option to defer the application of the provisions for a period of three (3) years.

In 2019, the Group adopted PIC Q&A 2018-12-H *Accounting for Common Usage Service Area (CUSA) Charges*. The impact of adoption is applied retrospectively which resulted to the restatements in the consolidated statement of financial position at January 1, 2018.

The impact of the Group's adoption of the interpretation is discussed in Note 35.

Contract Balances

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

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

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

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

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

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

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

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

Leases

The Group has applied PFRS 16 using the retrospective approach.

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  - the Group has the right to operate the asset; or

  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group has applied this approach to contracts entered into or changed on or after January 1, 2019. The Group's approach to other contracts is explained in Note 3.

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

As a Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

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

Foreign Currency Transactions and Translation

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

Basic and Diluted Earnings Per Share (EPS)

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

Related Parties

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

Provisions and Contingencies

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

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

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

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account consists of:

(In thousands)	***Note***	**2020**	2019
Cash on hand		**P523,681**	P1,386,391
Cash in banks	*31*	**7,294,882**	9,876,932
Money market placements	*31*	**12,740,766**	13,138,691
		P20,559,328	P24,402,014

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 4.80% in 2020 and 2.65% to 6.9% in 2019.

Interest income earned from cash in banks and money market placements amounted to P160.30 million and P101.78 million in 2020 and 2019, respectively.

5. Receivables

This account consists of:

(In thousands)	***Note***	**2020**	2019
Loans receivable	*25*	**11,898,908**	P11,898,908
Trade receivables		**1,995,460**	3,754,127
Non-trade receivables		**994,067**	582,867
Interest receivable	*25*	**401,311**	342,119
Others		**110,171**	108,818
		15,398,917	16,686,839
Less allowance for impairment losses on trade receivables		**48,947**	48,947
	31, 32	**15,349,970**	P16,637,892

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

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

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

(In thousands)	**2020**	2019
Beginning balance	**P48,947**	P40,298
Provisions during the year	**-**	8,649
Ending balance	**P48,947**	P48,947

6. Inventories

This account consists of:

(In thousands)	*Note*	2020	2019
At cost:			
Merchandise inventories		**P19,791,363**	P19,977,588
Liquors, wines and spirits		**4,996,283**	4,744,683
	20	**P24,787,646**	P24,722,271

Inventory charged to cost of goods sold amounted to P35.19 billion and P30.28 billion in 2020 and 2019, respectively (see Note 20).

7. Financial Assets at Fair Value Through Profit or Loss

This account represents the Group's investments in equity securities traded in the PSE. The fair values of these securities are based on their closing market prices as at the reporting dates

The movements in these securities are as follows:

(In thousands)	*Note*	2020	2019
Cost		**P15,356**	P15,356
Valuation Adjustments			
Balance at beginning of year		**21,147**	21,147
Unrealized valuation loss for the year		**(9,502)**	(1,582)
Balance at end of year		**11,645**	19,565
	31	**P25,418**	P34,921

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

(In thousands)	*Note*	2020	2019
Investments in common shares			
Quoted	*31, 32*	**P8,138**	P8,138
Unquoted	*31, 32*	**2,304**	2,304
		10,442	10,442
Investments in preferred shares	*31, 32*	**7,262**	7,262
		17,704	17,704
Less current portion		**9,209**	9,209
Non-current portion	*10*	**P8,495**	P8,495

Quoted shares also represent the Group's investments in equity securities traded in the PSE, which are designated as FVOCI.

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

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

The movements in this account are as follows:

(In thousands)	**2020**	2019
Balance at beginning of year	**P17,704**	P15,522
Unrealized fair value gains (losses)	**-**	2,182
Balance at end of year	**P17,704**	P17,704

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P5,602**	P3,420
Unrealized fair value gain (loss) during the year	**-**	2,182
Balance at end of year	**P5,602**	P5,602

9. Prepaid Expenses and Other Current Assets

This account consists of:

(In thousands)	**2020**	2019
Prepaid expenses	**P1,218,109**	P862,177
Advances to suppliers	**610,941**	634,763
Input VAT	**724,884**	464,607
Creditable withholding tax	**40,028**	23,486
Deferred input VAT - current	**2,370**	4,153
Others	**11,192**	11,314
	P2,607,523	P2,000,500

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

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

(In thousands)	**2020**	2019
Taxes and licenses	**P719,215**	P574,952
Insurance	**188,956**	127,230
Advertising and promotion	**123,696**	79,305
Supplies	**34,698**	36,555
Repairs and maintenance	**7,862**	9,051
Rent	**123,415**	758
Others	**20,267**	34,326
	P1,218,109	P862,177

10. Investments in Associates and Joint ventures

This account consists of:

(In thousands)	***Note***	**2020**	2019
Investments in associates		**P565,779**	P565,779
Investments in joint ventures		**175,396**	175,396
		P741,175	P741,175

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

	Percentage of Ownership		**Carrying Amount**	
(In thousands)	**2019**	2018	**2020**	2019
Associates:				
San Roque Supermarkets Retail Systems, Inc. ("SRS")	**49**	49	**P447,586**	P447,586
Pernord Ricard Philippines, Inc. ("Pernord")	**30**	-	**118,193**	118,193
Peninsula Land Bay Realty Corporation ("PLBRC")	**-**	-	**-**	-
			565,779	565,779
Joint ventures:				
AyaGold Retailers, Inc. ("AyaGold")	**50**	50	**P175,396**	P175,396
PG Lawson Company, Inc. ("PG Lawson")	**-**	-	**-**	-
Mariveles Joint Venture Corporation ("MJVC")	**-**	-	**-**	-
			175,396	175,396
			P741,175	P741,175

All associates and joint ventures are incorporated in the Philippines.

Investments in Associates

SRS

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

PERNOD

The Group entered into a Shareholder's Agreement and Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of shares of Pernord Ricard Philippines, Inc. ("PERNOD") for Euro2.1 million in February 2019. As at December 31, 2019, the Group owns 30% of PERNOD.

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" and was subsequently sold in 2019 (see Note 33),

The changes in the carrying amounts of are as follows:

	SRS		Pernod	
(In thousands)	**2020**	2019	**2020**	2019
Balance at beginning of year	**P433,543**	P433,543	**P -**	P -
Acquisition	**-**	-	**126,956**	126,956
Share in net income (loss)	**14,043**	14,043	**(8,763)**	(8,763)
Balance at end of year	**P447,586**	P447,586	**P118,193**	P118,193

**Unrecognized share in net income*

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

	SRS		Pernod	
(In thousands)	**2020**	2019	**2020**	2019
Percentage of ownership	**49.34%**	49.34%	**30%**	30%
Current assets	**P4,816,374**	P4,816,374	**P823,323**	P823,323
Noncurrent assets	**239,124**	239,124	**193,218**	193,218
Current liabilities	**(4,687,331)**	(4,687,331)	**(627,084)**	(627,084)
Noncurrent liabilities	**(20,524)**	(20,524)	**(40,382)**	(40,382)
Net assets	**347,643**	347,643	**349,075**	349,075
Group's share in net assets	**171,528**	171,528	**104,723**	104,723
Goodwill	**276,058**	276,058	**13,470**	13,470
Carrying amount of interest in associates	**P447,586**	P447,586	**P118,193**	P118,193
Net sales	**P517,583**	P517,583	**P1,339,369**	P1,339,369
Net income (loss)	**28,461**	28,461	**(29,210)**	(29,210)
Group's share in net income	**P14,043**	P14,043	**(P8,763)**	(P8,763)

Investment in Joint Ventures

AyaGold Retailers, Inc.

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

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

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

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P169,632**	P169,632
Additions	**-**	-
Share in net income	**5,764**	5,764
Balance at end of year	**P175,396**	P175,396

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

(In thousands)	**2020**	2019
Percentage of ownership	**50%**	50%
Current assets	**P258,601**	P258,601
Noncurrent assets	**347,630**	347,630
Total liabilities	**(396,935)**	(396,935)
Net assets	**209,296**	209,296
Group's share in net assets	**104,648**	104,648
Adjustments	**70,748**	70,748
Carrying amount of interest in joint venture	**P175,396**	P175,396
Net sales	**P639,968**	P639,968
Net income	**11,528**	11,528
Group's share in net income	**P5,764**	P5,764

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

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

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" and was subsequently sold in 2019 (see Note 33).

11. Property and Equipment

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

(In thousands)	Land	Buildings	Storage Tanks	Furniture and Fixtures	Office and Store Equipment	Transportation Equipment	Leasehold Improvements	Wells, Platforms and Other Facilities	Construction in-progress	Total
Cost										
January 1, 2019	P4,079,605	P9,409,424	P505,429	P3,032,311	P9,002,727	P246,949	P11,132,478	P204,955	1,143,839	P38,757,717
Additions	-	154,562	2,449	273,375	872,186	11,653	483,174	-	2,088,183	3,885,582
Reclassifications	(174,328)	295,504	1,475	64,224	366,999	15,565	1,247,221	-	(1,809,428)	7,232
Disposals	-	-	-	(932)	(178,444)	(813)	(6,947)	-	-	(187,136)
Assets held for sale										
December 31, 2019	3,905,277	9,859,490	509,353	3,368,978	10,063,468	273,354	12,855,926	204,955	1,422,594	42,463,395
Additions	-	38,965	1,145	58,469	189,801	7,520	142,281	-	393,277	831,458
Reclassifications	-	(1,048)	-	9,965	162,523	-	572,590	-	(744,248)	(218)
Disposals	-	(473)	-	(92)	(2,941)	(1,002)	-	-	-	(4,508)
Adjustments	-	(111)	-	(2)	(9,643)	-	-	-	(14)	(9,770)
March 31, 2020	**3,905,277**	**9,896,823**	**510,498**	**3,437,318**	**10,403,208**	**279,872**	**13,570,797**	**204,955**	**1,071,609**	**43,280,357**
Accumulated Depreciation and Amortization										
January 1, 2018	-	2,227,620	52,657	1,579,821	5,826,911	208,352	2,473,645	44,918	-	12,413,924
Depreciation and amortization	-	272,395	13,024	241,944	1,033,456	16,962	600,963	-	-	2,178,744
Disposals	-	-	-	(876)	(53,322)	(813)	(2,215)	-	-	(57,226)
Reclassifications	-	-	-	(1,366)	1,312	-	54	-	-	-
Asset held for sale	-								-	-
December 31, 2019	-	2,500,015	65,681	1,819,523	6,808,357	224,501	3,072,447	44,918	-	14,535,442
Depreciation and amortization	-	56,030	3,354	66,630	283,008	5,968	169,551	-	-	584,541
Disposals	-	(473)	-	(92)	(2,515)	-	-	-	-	(3,080)
Reclassifications	-	-	-	-	-	(2,328)	-	-	-	(2,328)
Adjustments	-	-	-	-	-	-	-	-	-	-
March 31, 2020	**-**	**2,555,572**	**69,035**	**1,886,061**	**7,088,850**	**228,141**	**3,241,998**	**44,918**	**-**	**15,114,575**
Carrying Amounts										
December 31, 2019	P3,905,277	P7,359,475	P443,672	P1,549,455	P3,255,111	P48,853	P9,783,479	P160,037	P1,422,594	P27,927,953
March 31, 2020	**P3,905,277**	**P7,341,251**	**P441,463**	**P1,551,257**	**P3,314,358**	**P51,731**	**P10,328,799**	**P160,037**	**P1,071,609**	**P28,165,782**

12. Investment Properties

This account consists of:

(In thousands)	**Land**	**Building**	**Construction in-Progress**	**Total**
Cost				
January 1, 2019	P6,372,748	P5,270,903	P259,158	P11,902,809
Additions	249,468	94,490	273,560	617,518
Reclassifications	-	210,575	(413,453)	(202,878)
Assets held-for-sale	-	-	-	-
December 31, 2019	6,622,216	5,575,968	119,265	12,317,449
Additions	-	22,894	6,296	29,190
Reclassifications	-	(14,651)	1,124	(13,527)
Adjustments	-	17,910	-	17,910
March 31, 2020	**6,622,216**	**5,602,121**	**126,685**	**12,351,022**
Accumulated Depreciation				
January 1, 2018	-	1,066,191	-	1,066,191
Depreciation	-	125,260	-	125,260
Reclassification	-	-	-	-
Assets held-for-sale	-	-	-	-
December 31, 2018	-	1,191,451	-	1,191,451
Depreciation	-	55,025	-	55,025
December 31, 2019	**-**	**1,246,476**	**-**	**1,246,476**
Carrying Amounts				
December 31, 2019	P6,622,216	P4,384,517	P119,265	P11,125,998
March 31, 2020	**P6,622,216**	**P4,355,645**	**P126,685**	**P11,104,546**

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

As at March 31, 2020 and December 31, 2019, 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 3 under the fair value hierarchy. Management believes that the appraisal in 2012 is still relevant for disclosure purposes as at March 31, 2020 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 P367.47 million and P376.48 million in 2020 and 2019, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P151.31 million and P149.86 million in 2020 and 2019, respectively (see Note 20).

13. Goodwill and Other Intangibles

This account consists of:

	2020	2019
Goodwill	**P16,253,526**	P16,253,526
Trademark	**3,709,661**	3,709,661
Customer relationships	**889,453**	889,453
Computer software and licenses - net	**180,899**	185,962
Leasehold rights	**50,172**	51,115
	P21,083,711	P21,089,717

Goodwill

Goodwill acquired in business combinations represents the excess of the purchase price over the fair value of net identifiable assets of acquired entities which represent the separate CGUs expected to benefit from that business combination. The details are as follows:

(In thousands)	**2020**	2019
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

Other Intangibles with Indefinite Lives

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

CGUs to which goodwill and other intangibles with indefinite lives have been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. Upon adoption of PFRS 16, the carrying values of the CGUs tested for impairment include their right-of-use assets and associated lease liabilities. Cash flow projections used in determining recoverable amounts include the lease payments in both the explicit forecast period and in terminal value. The recoverable amounts for the CGUs have been determined based on value in use.

VIU
Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 9.1% and 12.2% in 2019 and 13% to 14% in 2018. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 5% and 22% for the CGUs. The average operating margins applied in the projected periods ranged between 1.3% and 7.9% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.9% and 5% for the CGUs.

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

	Pre-tax Discount Rate		**Growth Rate (Terminal Value)**	
	2020	2019	**2020**	2019
Kareila	**11.00%**	11.00%	**2.90%**	2.90%
Budgetlane Supermarkets	**11.00%**	11.00%	**2.90%**	2.90%
Gant	**10.90%**	10.90%	**2.90%**	2.90%
DCI and FLSTCI	**10.60%**	10.60%	**2.90%**	2.90%
OWI	**10.90%**	10.90%	**2.90%**	2.90%
NPSCC	**12.20%**	12.20%	**2.90%**	2.90%

As at December 31, 2019, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if either of the following change occurs: discount rate increased by 0.3% or growth rate decreased by 1%.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

(In thousands)	**Computer Software and Licenses**	**Leasehold Rights**
Cost		
January 1, 2019	P384,333	P75,355
Additions	41,305	-
Adjustment	(504)	-
Reclassification to assets classified as held-for-sale	-	-
December 31, 2019	425,134	75,355
Additions	4,654	-
Adjustments	-	-
March 31, 2020	**429,788**	**75,355**
Accumulated Amortization		
January 1, 2019	196,353	20,473
Amortization	42,819	3,767
Reclassification to assets classified as held-for-sale	-	-
December 31, 2019	239,172	24,240
Amortization	9,717	943
March 31, 2020	**248,889**	**25,183**
Carrying Amounts		
December 31, 2018	P185,962	P51,115
December 31, 2019	**P180,899**	**P50,172**

Leasehold Rights

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

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

(In thousands)	***Note***	**Participating Interest**	**2020**	2019
I. Oil exploration costs:				
SC 14	*a*			
Block C2 (West Linapacan)		6.12%	**P55,753**	P55,753
Block D		5.84%	**8,113**	8,113
Block B1 (North Matinloc)		13.55%	**4,192**	4,192
			68,058	68,058
SC 6A	*b*	1.67%		
Octon Block			**17,415**	17,415
North Block			**627**	627
SC 6B (Bonita)	*d*	8.18%	**8,211**	8,027
			26,069	26,069
SC 51	*c*		**32,817**	32,817
Other oil projects			**527**	527
			33,344	33,344
			127,471	127,471
Allowance for impairment loss			**(127,471)**	(127,471
Balance at end of year			**-**	-
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**P19,208**	P19,208
Anoling gold project	*g*	3.00%	**13,817**	13,817
Gold projects	*h*	100.00%	**13,036**	13,036
Cement project	*i*	100.00%	**9,603**	9,603
Other mineral projects	*j, k*		**382**	382
			56,046	56,046
Accumulated impairment losses			**(56,046)**	(56,046
Balance at end of year			**-**	-
I. Other deferred charges			**619**	619
Allowance for impairment loss			**(619)**	(619
Balance at year end			**-**	-
			P -	P -

On July 2, 2015, the Department of Energy (DOE) approved the transfer of all participating interest of the Parent Company in its various petroleum service contracts in the Philippines to APMC. APMC hereby assumes the responsibility and work commitments on the service contracts.

All deferred oil and mineral exploration costs are classified as intangible assets on the basis that these costs are recognized in respect of licenses and surveys. These costs were incurred in developing an intangible asset. Oil and mineral explorations are governed by permits issued by the Philippine Government either through DOE under SC or by DENR under Exploration Permit (EP) or MPSA.

As at December 31, 2019, management assessed that the deferred oil and mineral exploration costs are impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects. The Group recognized a full impairment loss of P128.1 million.

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

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

In 2019 and 2018, additional deferred charges amounting to P4.64 million and P0.32 million, respectively, were capitalized.

b) <u>SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines</u>
The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data. As at December 31, 2019, the Group has participating interest of 1.67%.

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

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

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

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

In 2019 and 2018 additional deferred charges amounting to P0.1 million each were capitalized.

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 March 31, 2020 and December 31, 2019, there were no further developments on the said project.

d) SC 6B (Bonita) - Offshore Nortwest 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.

As at March 31, 2020 and December 31, 2019, there were no further developments on the said project.

e) <u>Exploration Permit Application No. 175-IVB - Nickel Project Aborlan, Palawan</u>
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 March 31, 2020 and December 31, 2019, there were no further developments on the said project.

f) <u>Exploration Permit Application No. 196-IVB - Nickel Project Rizal, Palawan</u>
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 March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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 Group paid occupation amounting to P0.5 million for the project.

As at March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, 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 P6.62 billion and P3.30 billion as at March 31, 2020 and December 31, 2019, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

(In thousands)	***Note***	**2020**	2019
Trade payables		**P6,641,996**	P9,087,869
Non-trade payables		**2,312,185**	2,342,807
Dividends payable	*28*	**-**	1,356,031
Due to government agencies		**932,996**	744,875
Construction bonds		**22,084**	22,684
Advance rentals		**17,293**	14,089
Retention payable		**5,762**	5,181
Accrued expenses			
Manpower agency services		**1,039,160**	977,613
Utilities		**388,672**	293,390
Rent		**45,765**	77,435
Others		**366,423**	206,007
		P11,772,336	P15,127,981

Trade payables generally on a 30-to-60-day payment terms.

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods such as fixed asset acquisitions and stores under construction.

17. Loans Payable

As at March 31, 2020 and December 31, 2019, the Group has the following outstanding loans:

a. Short-term Loans

Details of short-term loans follow:

(In thousands)	**2020**	2019
Balance at beginning of year	**P871,124**	P4,866,300
Availments	**-**	642,855
Repayments	**(372,900)**	(4,638,031)
Balance at end of year	**P498,225**	P871,124

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

Segment	Purpose(s)	Interests	**2020**	2019
Liquor distribution	- Inventory financing	3.57% to 5.63%	**P398,000**	P729,000
Real estate	- Capital expenditure requirements	2.88% to 5.25%	**100,225**	140,554
Grocery retail	- Inventory financing - Working capital requirements	4.00% to 6.40%	**-**	1,570
			P498,225	P871,124

b. Long-term Loans

Details of long-term loans follow:

(In thousands)	**2020**	2019
Balance at beginning of year	**P5,138,262**	P6,622,208
Repayments	**-**	(1,488,429)
Amortization of debt issue cost	**-**	4,483
	5,138,262	5,138,262
Less current portion	**43,685**	43,685
	P5,094,577	P5,094,577

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

(In thousands)	***Note***	**2020**	2020
Cosco:			
Fixed-rate peso-denominated loan of 5.267%	*a*	**P3,792,563**	P3,792,563
Fixed-rate peso-denominated loan of 5.579%	*a*	**945,699**	945,699
PPCI:			
Fixed-rate peso-denominated note of 6.40%	*b*	**-**	-
KMC			
Fixed-rate peso-denominated loan of 3.50%	*c*	**400,000**	400,000
		5,138,262	5,138,262
Less current portion		**43,685**	43,685
		P5,094,577	P5,094,577

a. Cosco

On May 6, 2014, Cosco signed and executed a P5.0 billion corporate financing facility. The proceeds were used to finance the Group's strategic acquisition plans and/or for other general corporate requirements. Subsequently, Cosco issued the following:

- 7-year, unsecured, peso-denominated loan with a consortium of six (6) local banks for P4.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the sixth anniversary; and 94.0% of the principal amount on maturity date.

- 10-year, unsecured, peso-denominated loan with a consortium of two (2) local banks for P1.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the ninth anniversary; and 91.0% of the principal amount on maturity date.

These loan agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on guarantees, and payments of dividends.

As of December 31, 2019 and 2018, Cosco is compliant with the loan covenants.

b. PPCI

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

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

In 2019, the PPCI fully paid the remaining balance.

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

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

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

The loan is not subject any covenants.

Total interest expense charged to profit or loss amounted to P83.63 million and P109.81 million in 2020 and 2019, respectively.

Interest expense capitalized amounted to P12.1 million and P37.1 million in 2020 and 2019, respectively (see Notes 13 and 14).

18. Other Current Liabilities

This account as at March and December 31 consists of:

(In thousands)	***Note***	**2020**	2019
Customers' deposits	*21, 31, 32*	**P303,592**	P351,510
Unredeemed gift certificates		**215,480**	157,477
Output VAT		**50,213**	78,225
Promotional discount		**7,588**	1,934
Others	*31, 32*	**22,177**	7,846
		P599,050	P596,992

Customers' deposits consist of payments from the lessees that are refundable at the end of the lease term. These are intended to answer for any unpaid obligations of the lessee to the Group including damages to the leased properties.

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

19. Revenues

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

(In thousands)	**2020**	2019
Revenue from Contracts with Customers (PFRS 15)		
Revenues		
Grocery	**P40,952,785**	P34,888,554
Wine and liquor	**1,229,530**	1,543,485
Office and technology supplies	**535,478**	619,908
Other revenue		
Concession fee income	**525,372**	451,137
Membership income	**141,399**	130,440
Miscellaneous	**42,651**	34,712
	43,427,964	37,668,236
Lease revenue (PFRS 16)		
Revenues		
Real estate and property leasing	**367,474**	376,481
Other revenue		
Retail (*Other revenue*)	**117,799**	118,264
	485,273	494,745
	P43,913,237	P38,162,983

20. Cost of Revenues

Cost of goods sold consists of:

(In thousands)	**2020**	2019
Beginning inventory	**P26,515,696**	**P23,931,657**
Purchases	**13,874,740**	**31,232,652**
Total goods available for sale	**40,390,436**	**55,164,309**
Ending inventory	**5,196,074**	**24,881,984**
	P35,194,362	**P30,282,325**

Cost of rent consists of:

(In thousands)	**2020**	2019
Depreciation	**P55,023**	P49,439
Security services	**21,360**	21,951
Taxes and licenses	**19,418**	14,548
Repairs and maintenance	**14,417**	13,501
Janitorial services	**17,720**	17,452
Management fees	**7,797**	8,048
Insurance	**3,835**	3,147
Rentals	**9,953**	12,885
Utilities	**-**	5,524
Others	**486**	3,369
	P151,310	P149,864

21. Leases

As Lessee

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

The movements in right-of-use assets are as follows:

(In thousands)	**2020**	2019
Cost		
Balance at January 1	**29,472,240**	P26,781,994
Additions	**111,721**	3,331,079
Modifications	**-**	(10,498)
Terminations	**-**	(163,202)
End of lease term	**-**	(467,133)
Balance at December 31	**29,583,961**	29,472,240
Accumulated Depreciation		
Balance, January 1	**29,472,240**	6,699,568
Depreciation	**383,101**	1,591,374
Terminations	**-**	(51,672)
End of lease term	**-**	(467,133)
Balance, December 31	**29,855,341**	7,772,137
Carrying amount at December 31	**P21,428,722**	P21,700,103

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

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

(In thousands)	**2020**	2019
Due within one year	**P474,080**	P567,682
Due beyond one year	**26,113,237**	26,101,259
	P26,587,317	P26,668,941

The movements in lease liabilities are as follows:

(In thousands)	***Note***	**2020**	2019
January 1	*27, 28*	**P26,668,941**	P24,222,473
Additions		**-**	3,178,512
Accretion of interest		**421,143**	1,673,636
Repayments		**(502,766)**	(2,241,191)
Terminations	*20*	**-**	(153,990)
Modifications		**-**	(10,499)
December 31		**P26,587,317**	P26,668,941

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

(In thousands)	**2020**	2019
Less than one year	**P2,031,482**	P2,031,482
One to five years	**8,316,198**	8,316,198
More than five years	**31,769,098**	31,769,098
	P42,116,778	P42,116,778

As Lessor
The Group leases out its investment properties to various lessees. These non-cancellable leases have lease terms of up to twenty-five (25) years. Some of the leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The lease agreements, among others, include customers' deposits. These deposits shall answer for any unpaid obligations of the lessee to the Group including damages to the leased properties. Customers' deposits, which are carried at amortized cost, are non-interest bearing and refundable upon termination of the lease agreement, provided that there are no outstanding charges against the tenant. Customers' deposits amounted to P411.93 million and P262 63 million as at March 31, 2020 and December 31, 2019. 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 recognized as part of “Revenues” account in profit or loss amounted to P367.47 Million and P376.48 million in 2020 and 2019, respectively.

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

(In thousands)	**2020**	2019
Less than one year	**P1,206,274**	P1,206,274
One to two years	**958,421**	958,421
Two to three years	**911,110**	911,110
Three to four years	**778,016**	778,016
Four to five years	**738,322**	738,322
More than five years	**7,139,242**	7,139,242
	P11,731,385	P11,731,385

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

Rent income recognized as part of “Other revenue” account in profit or loss amounted to P117.80 million and P118.26 million in 2020 and 2019, respectively (see Note 22).

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

(In thousands)	**2020**	2019
Less than one year	**P275,982**	P275,982
One to two years	**139,825**	139,825
Two to three years	**132,084**	132,084
Three to four years	**109,161**	109,161
Four to five years	**99,237**	99,237
More than five years	**82,852**	82,852
	P839,141	P839,141

22. Other Revenue

This account consists of:

(In thousands)	***Note***	**2020**	2019
Concession fee income		**P525,372**	P451,137
Membership income		**141,399**	130,440
Rent income	*21*	**117,799**	118,264
Miscellaneous		**42,652**	34,711
		P827,222	P734,552

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

23. Operating Expenses

This account consists of:

(In thousands)	***Note***	**2020**	2019
Manpower agency		**P996,451**	P710,914
Depreciation and amortization	*11, 12, 13*	**960,172**	830,841
Salaries and wages		**708,297**	592,235
Communication, light and water		**558,444**	559,485
Outside services		**290,047**	298,145
Taxes and licenses		**266,728**	232,293
Rent	*21, 25*	**220,382**	199,956
Advertising and marketing		**159,487**	144,079
Store and office supplies		**143,187**	163,548
Repairs and maintenance		**116,241**	118,294
Distribution Costs		**77,232**	65,072
Insurance		**61,310**	55,102
Input VAT allocable to exempt sales		**53,288**	23,815
SSS/Medicare and HDMF contributions		**48,277**	37,828
Credit card charges		**45,498**	31,823
Transportation		**36,863**	41,320
Representation and entertainment		**39,833**	29,433
Fuel and oil		**18,312**	20,055
Royalty expense	*25*	**15,635**	13,237
Professional fees		**12,775**	12,122
Others		**191,939**	138,494
		P5,020,400	P4,437,660

24. Other Income (Charges)

This account consists of:

(In thousands)	***Note***	**2020**	2019
Gain on sale of interest in a subsidiary/joint venture	*10,33*	**P -**	P6,146,672
Foreign exchange gain (loss)		**2,242**	5,690
Bank charges		**(1,361)**	(13,388)
Gain on sale of investment in bonds		**7,126**	-
Gain (loss) on insurance claim		**513**	-
Unrealized valuation gain (loss) on financial assets	*7*	**(9,502)**	418
Miscellaneous		**2,563**	(3,380)
		P1,581	P6,136,013

25. Related Party Transactions

The Group's transactions and balances with its related parties follow *(in thousands)*:

Related Party	Year	*Note*	Amount of Transactions for the Year	Cash and Cash Equivalents/ Receivables	Due from Related Parties	Due to Related Parties and Lease Liability	Terms	Conditions
Under Common Control								
▪ Loan receivable								
Principal	**2020**	**A**	**P -**	**P11,898,908**	**P -**	**P -**	**Due on September 30, 2020**	**Unsecured**
	2019	**A**	**11,898,908**	**11,898,908**	**-**	**-**	**Interest bearing**	**Unsecured**
Interest	**2020**	**A**	**58,192**	**401,653**	**-**			
	2019	**A**	**342,119**	**342,119**	**-**	**-**		
Money market placements	**2020**	**B**		**4,326,000**	**-**	**-**		
	2019	**B**	**4,326,000**	**4,326,000**	**-**	**-**		
▪ Advances for working capital	**2020**		**-**	**-**	**-**	**P363,146**	Due and demandable;	Unsecured
requirements	2019		-	-	-	363,146	non-interest bearing	
▪ Management fees	**2020**	*D*	**7,797**	**-**	**-**	**-**	Due and demandable;	Unsecured
	2019	**D**	**8,048**	**-**	-	-	non-interest bearing	
▪ Rent income	**2020**	*E*	**31,477**	**-**	**-**	**-**	Due and demandable;	Unsecured
	2019	*E*	31,477	-	-	-	non-interest bearing	
Associates				-				
▪ Concession fee expense	**2019**	*C*	**-**	**-**	**-**	-	Due and demandable;	Unsecured
	2018	*C*	-	-	-	-	non-interest bearing	
Stockholder				-				
▪ Advances for working capital	**2020**		**621,767**	**-**	**232,051**	**497,545**	Due and demandable;	Unsecured;
requirements	2019		174,027	-	192,068	933,197	non-interest bearing	unimpaired
▪ Royalty expense	**2020**	*F*	**15,635**	**-**	**-**	**15,635**	Due and demandable;	Unsecured
	2019	*F*	47,117	-	-	47,117	non-interest bearing	
Key Management Personnel				-				
▪ Short-term benefits	**2020**		**23,211**	**-**	**-**	**-**		
	2019		23,211	-	-	-		
Total	**2020**			**P16,626,561**	**P232,051**	**P876,326**		
Total	2019			P16,567,027	P192,068	P1,343,460		

a. Loans Receivable

In 2019, the Group through CHC granted loans Union Energy Corporation and League One, Inc., entities under common control, which are payable on September 30, 2020. The loans bear interest based on prevailing market rates agreed with the borrowers on a quarterly basis. Interest rates range from 2% to 4.75%.

b. Money Market Placements

The money market placements are with Philippine Bank of Communications, a local bank under common control.

c. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with the Group through KMC, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) 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 contact on January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) 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.

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

d. Management Agreement

The Group entered into a management agreement with Puregold Realty Leasing and Management, Inc. (PRLMI), an entity under common control. Under the agreement, PRLMI shall handle the leasing and marketing, billing and collection, documentation, and property management services of the properties owned by the realty segment of the Group. In consideration of such services, the Group shall pay monthly management fee to PRLMI equivalent to 5.0% to 8.5% of rental collected by PRLMI. The agreement is valid for a year, and is renewable upon mutual agreement of both parties.

e. Lease Agreement - As a Lessor

The Group and PriceSmart entered into lease agreement for the rental of land. The term of the lease is 23 years and renewable under such terms and conditions that shall be agreed upon by the parties.

f. License Agreement

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

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

26. Retirement Benefit Costs

The Group has an unfunded, non-contributory, defined benefit plan covering all of its permanent employees. The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to at least one-half month (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The term one-half (1/2) month salary shall mean: (a) 50% of the pay salary; (b) one-twelfth (1/12) of the thirteenth (13th) month pay; and (c) one-twelfth (1/12) cash equivalent of not more than five (5) days of service incentive leaves. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. Valuations are obtained on a periodic basis.

The retirement benefits liability recognized in the consolidated statements of financial position as at March 31 and December 31 are as follows:

(In thousands)	**2020**	2019
Present value of defined benefits obligation	**P980,088**	P984,469
Fair value of plan assets	**(28,651)**	(28,651)
	P951,437	P955,818

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P984,469**	P534,446
Included in profit or loss:		
¤ Current service cost	**-**	96,429
Interest cost	**-**	39,670
	-	136,099
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	**-**	348,338
Experience adjustments	**-**	(24,886)
	-	323,452
Benefits paid	**-**	(4,085)
Reclass to liabilities directly related to assets held-for-sale	**-**	(5,443)
Consolidation adjustment	**(4,381)**	-
Balance at end of year	**P980,088**	P984,469

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P28,651**	P25,913
Interest income	**-**	1,936
Return on plan asset excluding interest	**-**	802
Balance at end of year	**P28,651**	P28,651

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

(In thousands)	**2020**	2019
Cash in banks	**P2,460**	P2,460
Debt instruments - government bonds	**25,927**	25,927
Trust fees payable	**(14)**	(14)
Other	**278**	278
	P28,651	P28,651

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

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

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

The weighted average duration of the defined benefit obligation as at March 31, 2020 and December 31, 2019 reporting period is 25.8 years.

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

2020

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**(P171,669)**	**P218,568**
Future salary increase rate (1% movement)	**210,603**	**(169,496)**

2019

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**(P171,669)**	**P218,568**
Future salary increase rate (1% movement)	**210,603**	**(169,496)**

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:

	2020 *(In thousands)*				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P955,818**	**P225,661**	**P36,906**	**P39,274**	**P149,481**

	2019 *(In thousands)*				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P955,818**	**P225,661**	**P36,906**	**P39,274**	**P149,481**

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

The Group does not expect to contribute to the plan in 2021.

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

The Group has no expected future contribution for 2021.

27. Income Taxes

The provision for income tax consists of:

(In thousands)	**2020**	2019
Current	**P983,071**	P843,745
Deferred	**(97,918)**	(58,778)
	P885,153	P784,967

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

(In thousands)	**2020**	2019
Income before income tax	**P3,204,272**	P8,974,503
Income tax expense at the statutory income tax rate:		
30%	**930,985**	P832,531
5%	**4,371**	4,591
Income tax effects of:		
Dividend income	**(20)**	(52)
Deduction from gross income due to availment of optional standard deduction	**(34,654)**	(44,152)
Non-deductible expenses	**9,864**	4,093
Interest income subject to final tax	**(21,054)**	(15,615)
Changes in unrecognized DTA	**350**	2,836
Non-deductible interest expense	**1,563**	3,682
Non-deductible other expenses	**964**	810
Non-taxable income	**641**	(275)
Other income subject to final tax	**(7,857)**	(3,481)
	P885,153	P784,967

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:

(In thousands)	**2020**	2019
	DTA (DTL)	DTA (DTL)
Excess of lease liabilities over ROU assets	**P2,139,252**	P1,490,651
Retirement benefits liability	**317,129**	307,921
Allowance for impairment losses on receivables	**5,119**	5,119
Advance rentals	**3,536**	3,120
Accrued rent expense	**205**	2,106
Unrealized foreign exchange loss	**447**	984
Recognition of DTA on merger transaction	**117**	117
NOLCO	**-**	49,750
Allowance for impairment of deferred oil and mineral exploration costs	**-**	38,427
DTA	**2,465,805**	1,898,195
Fair value of intangible assets from business combination	**(1,379,734)**	(1,379,734)
Accrued rent income	**(503,272)**	(64,343)
Prepaid rent	**(94,077)**	-
Actuarial loss (gain)	**(24,131)**	(2,319)
Unrealized foreign exchange gain	**(131)**	(742)
Borrowing cost	**-**	(13,359)
DTL	**(2,001,345)**	(1,460,497)
Net	**P464,460**	P437,698

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 benefits liability.

The Group has temporary differences for which deferred tax assets were not recognized because management believes that it is not probable that sufficient taxable profits will be available against which the benefits of the deferred taxes can be utilized.

The unrecognized deferred tax assets as at March and December 31 are as follows:

(In thousands)	**2020**	2019
NOLCO	**P50,918**	P50,918
MCIT	**73**	73
	P50,991	P50,991

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
2018	325,232	(325,232)	-	2021
2019	165,833	-	165,833	2022
	P1,353,723	(P1,187,890)	P165,833	

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
2019	10,060	-	10,060	2022
	P35,969	(P13,583)	22,386	

28. Equity

Capital Stock

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

	2020		2019	
	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	**6,612,895,384**	**P6,001,290**	7,023,634,374	P7,405,264
Less: Treasury shares	**410,774,290**	**1,629,608**	(410,738,990)	(1,403,974)
Outstanding	**6,202,121,094**	**P4,371,682**	6,612,895,384	P6,001,290
Treasury shares:				
Balance at beginning of year	**410,738,990**	**P1,403,974**	381,629,190	P1,197,727
Buy back of shares	**35,300**	**225,634**	29,109,800	206,247
Balance at end of year	**410,774,290**	**P1,629,608**	410,738,990	P1,403,974

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 and 2017, 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 15, 2017	January 2, 2018	January 26, 2018	P0.06
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
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.08

As of March 31, 2020 and December 31, 2019, unpaid unpaid cash dividends on common shares amounting to nil and P1.3 billion, respectively, are included as part of as "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

Non-controlling Interests
For the period and year ended March 31, 2020 and December 31, 2019, movements in NCI pertain to the share in net earnings of and dividends paid to non-controlling shareholders, and NCI on business combinations.

The following table summarizes the financial information of subsidiaries that have material non-controlling interests:

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

	2020		2019	
(In thousands)	**PPCI**	**CHC**	PPCI	CHC
NCI percentages	**49%**	**10%**	49%	10%
Carrying amounts of NCI	**P31,194,749**	**P782,813**	P31,469,630	P776,994
Current assets	**P38,640,162**	**P12,301,100**	P40,040,355	P12,242,909
Noncurrent assets	**68,671,020**	**-**	68,594,443	-
Current liabilities	**12,213,220**	**4,472,966**	15,490,809	4,472,966
Noncurrent liabilities	**31,435,209**	**-**	31,244,639	-
Net assets	**P63,662,752**	**P7,828,134,**	P61,899,350	P7,769,943
Net income attributable to NCI	**P899,324**	**P5,819**	P3,454,122	P301,582*
Other comprehensive attributable to NCI	**P -**	**P -**	(P111,829)	P -
Revenue	**P40,952,784**	**P -**	P154,490,309	P -
Net income (loss)	**P1,763,381**	**P58,192**	6,772,788	P7,993,116
Other comprehensive income (loss)	**-**	**-**	(219,273)	-
Total comprehensive income (loss)	**P1,763,381**	**P58,192**	P6,553,515	P7,993,116

**Adjusted for the share in income in LPC and CHPI recognized from date of acquisition to date of sale and other eliminating adjustment.*

29. Segment Information

Segment information reported externally was analyzed on the basis of types of goods supplied and services provided by the Group's operating divisions. However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the types of goods or services delivered or provided. The Group's reportable segments are as follows:

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:

	Segment Revenues		Segment Profit	
(In thousands)	**2020**	2019	**2020**	2019
Grocery retail	**P40,952,785**	P34,888,554	**P1,763,381**	P1,509,653
Liquor distribution	**1,846,550**	2,122,834	**232,589**	229,705
Specialty retail	**536,227**	621,004	**19,128**	29,173
Real estate and property leasing	**535,131**	541,607	**294,971**	313,431
Holding, oil and mining	**-**	-	**9,050**	6,685,150
Total	**43,870,693**	38,173,998	**2,319,119**	8,767,113
Eliminations of intersegment revenue/profit	**785,426**	745,570	**-**	564,347
	P43,085,267	P37,428,428	**P2,319,119**	P8,202,766

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

(In thousands)	**2020**	2019
Grocery retail:		
From external customers	**P40,952,785**	P34,888,554
Specialty retail:		
From external customers	**535,478**	619,908
From intersegment sales	**749**	1,096
	536,227	621,004
Liquor distribution:		
From external customers	**1,229,530**	1,543,485
From intersegment sales	**617,020**	579,349
	1,846,550	2,122,834
Real estate and property leasing:		
From external customers	**367,474**	376,482
From intersegment sales	**167,657**	165,125
	535,131	541,607
Oil and mining:		
From external customers	**-**	-
Total revenue from external customers	**P43,085,267**	P37,428,428
Total intersegment revenue	**P785,426**	P745,570

No single customer contributed 10% or more to the Group's revenue in 2020 and 2019.

The Group's reportable segments are all domestic operations.

Segment Assets and Liabilities

Below is the analysis of the Group's segment assets and liabilities:

(In thousands)	**2020**	2019,
Segment assets:		
Grocery retail	**P107,311,181**	P108,634,798
Specialty retail	**1,113,873**	1,225,214
Liquor distribution	**8,218,318**	8,776,038
Real estate and property leasing	**25,818,237**	25,651,342
Oil and mining	**104,781,208**	105,902,079
Total segment assets	**247,242,816**	250,189,471
Intercompany assets	**93,928,170**	95,739,577
Total assets	**P153,314,646**	P154,449,894

(In thousands)	**2020**	2019
Segment liabilities:		
Grocery retail	**P43,648,429**	**P46,735,448**
Specialty retail	**537,732**	**2,475,886**
Liquor distribution	**2,453,316**	**3,299,462**
Real estate and property leasing	**9,339,390**	**9,403,470**
Oil and mining	**9,621,658**	**10,531,184**
Total segment liabilities	**65,600,526**	**72,445,450**
Intercompany liabilities	**16,440,747**	**20,056,340**
Total liabilities	**P49,159,779**	**P52,389,110**

30. Earnings Per Share

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

(In thousands except per share data)	**2020**	2019
Net income attributable to equity holders of the Parent Company (a)	**P1,413,976**	P6,836,461
Weighted average number of common shares (b)	**6,970,602**	7,016,405
Basic/diluted EPS (a/b)	**P0.20285**	P0.97435

There were no potential dilutive common shares in 2020 and 2019.

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

31. Financial Risk and Capital Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

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

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

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

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

Credit Risk

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

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

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

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

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

(In thousands)	***Note***	**2020**	2019
Cash and cash equivalents [(1)]	*4*	**P20,035,648**	P23,015,623
Receivables - net	*5*	**15,349,970**	16,637,892
Due from related parties	*25*	**232,051**	192,068
Security deposits [(2)]	*17*	**2,118,473**	2,231,789
Financial assets at FVPL	*7*	**25,418**	34,921
Financial assets at FVOCI	*8*	**9,209**	17,704
		P37,770,769	P42,129,997

[(1)] Excluding cash on hand.
[(2)] Included as part of "Other noncurrent assets".

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

	March 31, 2020			
(In thousands)	**Neither Past Due Nor Impaired**	**Past Due but Not Impaired**	**Impaired**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents[(1)]	**P20,035,648**	**P -**	**P -**	**P20,035,648**
Receivables	**13,469,203**	**P1,880,768**	**48,947**	**15,398,917**
Due from related parties	**232,051**	**-**	**-**	**232,051**
Security deposits[(2)]	**2,118,473**	**-**	**-**	**2,118,473**
Financial Assets at FVPL	**0**			
Investments in trading securities	**25,418**	**-**	**-**	**25,418**
Financial Assets at FVOCI	**0**			
Investments in preferred shares	**7,262**	**-**	**-**	**7,262**
Investment in common shares	**0**			
Quoted	**8,138**	**-**	**-**	**8,138**
Unquoted	**2,304**	**-**	**-**	**2,304**
	P35,898,497	**P1,880,768**	**P48,947**	**P37,828,212**

[(1)] Excluding cash on hand.
[(2)] Included as part of "Other noncurrent assets".

	December 31, 2019			
(In thousands)	Neither Past Due Nor Impaired	Past Due but Not Impaired	Impaired	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[(1)]	P23,015,623	P -	P -	P35,256,650
Receivables	16,686,839	-	48,947	4,396,865
Due from related parties	192,068	-	-	192,068
Security deposits[(2)]	2,231,789	-	-	2,231,789
Financial Assets at FVPL				
Investments in trading securities	34,921	-	-	34,921
Financial Assets at FVOCI				
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares				
Quoted	8,138	-	-	8,138
Unquoted	2,304	-	-	2,304
	P42,178,944	P -	P48,947	P42,129,997

[(1)] Excluding cash on hand.
[(2)] Included as part of "Other noncurrent assets".

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

a. Cash in banks and cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit risk for investment in debt securities are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

<u>Liquidity Risk</u>

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

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

	March 31, 2020				
(In thousands)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year to 5 Years**	**More than 5 Years**
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	**P10,835,151**	**p10,835,151**	**p10,835,151**	**P -**	**P -**
Short-term loans	**498,224,961**	**498,224,961**	**498,224,961**	**-**	**-**
Lease liabilities	**26,668,941**	**26,668,941**	**567,652**	**2,838,260**	**23,263,029**
Due to related parties	**876,326**	**1,343,460**	**1,343,460**	**-**	**-**
Long-term loans[2]	**5,094,577**	**5,138,262**	**43,685**	**5,094,577**	**-**
Customers' deposits[3]	**303,592**	**303,592**	**303,592**	**-**	**-**
	P542,003,548	**P542,514,367**	**P511,318,501**	**P7,932,837**	**P23,263,029**

[1] Excluding due to government agencies.
[2] Including current and non-current portion.
[3] Included as part of "Other current liabilities".

	December 31, 2019				
(In thousands)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year to 5 Years**	**More than 5 Years**
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	P14,383,106	P14,383,106	P14,383,106	P -	P -
Short-term loans	871,124	871,124	871,124	-	-
Lease liabilities	26,668,941	26,668,941	567,652	2,838,260	23,263,029
Due to related parties	1,343,460	1,343,460	1,343,460	-	-
Long-term loans[2]	5,138,262	5,138,262	43,685	5,094,577	-
Customers' deposits[3]	351,510	351,510	351,510	-	-
	P48,756,403	P48,756,403	P17,560,537	P7,932,837	P23,263,029

[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 interest rates that will adversely affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is mainly subject to interest rate risks.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk since its short and long-term loans with fixed rates are carried at amortized cost. The Group's policy is to obtain the most favorable interest available without increasing its foreign currency exchange exposure.

Capital Management

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

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

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

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

The Parent Company maintains equity at a level that is compliant with its loan covenants.

32. Fair Value of Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at March 31, 2020 and December 31, 2019.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties

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

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

Financial Assets at FVPL 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
The fair value of the unquoted equity securities at FVOCI is not determinable because of the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Accounts Payable and Accrued Expenses, Short-term Loans and Due to Related Parties
The carrying amounts of accounts payable and accrued expenses, short-term loans, due to related parties and customers' deposits approximate the fair value due to the relatively short-term maturities of these financial instruments.

Long-term Loans, Lease Liabilities and Customers' Deposits
The carrying amounts approximate their fair values because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments is not considered significant.

Fair Value Hierarchy
The Group analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

As at March 31, 2020 and December 31, 2019, the Group has no financial instruments valued based on Level 2 and 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 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 October 19, 2018.

The breakdown of the gain on sale recognized in profit or loss in 2019 is as follows:

(In thousands)	
Selling price	**P13,100,000**
Transaction costs	**(1,729,020)**
Proceeds	**11,370,980**
Cost of investment	**(3,428,451)**
Gain on sale before the effect of share in income recognized	**7,942,529**
Share in income recognized (date of acquisition to date of sale)	**(1,868,924)**
Gain on sale	**P6,073,605**

The gain on sale previously reported and presented in the quarterly reports in 2019 represents the gain on sale before the effect of share in income recognized from date of acquisition to date of sale which were directly derecognized from the retained earnings account.

The major classes of assets and liabilities of both LPC and CPHI as at December 31, 2018 are as follows:

(In millions)	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.

The results of operations of LPC and CPHI in 2018 are as follows:

(In thousands)	**LPC**	**CPHI**	**Total**
Revenue	**P17,090,512**	**P -**	**P17,090,512**
Cost of sales	**15,811,326**	**-**	**15,811,326**
Gross profit	**1,279,186**	**-**	**1,279,186**
Operating expenses	**391,671**	**88**	**391,759**
Income from operations	**887,515**	**(88)**	**887,427**
Other income charges:			
Interest expense	**(5,690)**	**(847)**	**(6,537)**
Interest income	**3,750**	**-**	**3,750**
Others- net	**10,279**	**406**	**10,685**
Income before income tax	**895,854**	**(529)**	**895,325**
Income tax expense	**269,624**	**-**	**269,624**
Net income (loss)	**P626,230**	**(P529)**	**P625,701**

COSCO CAPITAL, INC. AND SUBSIDIARIES
AGEING OF RECEIVABLES
As at March 31, 2020 and December 31, 2019

	2020	2019
Neither pas due nor impaired	**13,469,203**	14,326,395
Past due 1-30	**888,522**	1,457,851
Past due 31-60	**267,661**	180,727
More than 60	**724,584**	672,920
Impaired	**48,947**	48,947
	15,398,918	16,686,840