June 02, 2023

Securities and Exchange Commission
7907 Makati Avenue, Salcedo Village,
Bel-Air, Makati City

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

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

Attention: Ms. Alexandra T. Wong
OIC, Disclosure Department

Gentlemen:

For submission is the attached Preliminary Information Statement (SEC Form 20-IS) of Cosco Capital, Inc. for its forthcoming Annual Stockholders' Meeting scheduled on June 30, 2023, Friday, 10 am, via online meeting.

Thank you.

Very truly yours,

Atty. Candy H. Dacanay
Assistant Corporate Secretary

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)

(63) 917 861 2459

(Company Telephone Number)

1 2	3 1	SEC FORM 20-IS	0 6	3 0
Month	Day	(Form Type)	Month	Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.

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

1. Check the appropriate box:
   [x] Preliminary Information Statement
   [ ] Definitive Information Statement

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

3. **Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. **147669**
   SEC Identification Number

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

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

7. **09178612459**
   Registrant's telephone number, including area code:

8. **June 30, 2023, Friday at 10 am, Via Zoom Online Meeting**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 2, 2023**

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt
Common Share	**7,170,721,764**

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

    Yes [x] No [ ]

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

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of **COSCO CAPITAL, INC.** will be on **June 30, 2023, Friday, at 10:00 am, via Zoom Online Meeting.**

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2022
4. Annual Report and Approval of the 2022 Audited Financial Statements
5. Election of Regular Directors and Independent Directors
6. Amendment of Bylaws
7. Re-appointment of External Auditor and fixing its remuneration
8. Other Matters
9. Adjournment

Only stockholders on record, as of May 24, 2023, are entitled to notice and vote in the meeting.

Pursuant to the Company's bylaws and resolution of the Board of Directors dated May 9, 2023, the annual stockholders' meeting will be held entirely online or virtual. Stockholders may participate in the meeting by remote communication, by voting *in absentia*, or by appointing the Chairman of the meeting as their proxy. The Information Statement will be accessible on the company website (www.coscocapital.com) starting June 2, 2023.

The stockholders who are attending by proxies should e-mail their duly accomplished form to corporate.governance@coscocapital.com on or before June 27, 2023. The Company will validate the votes on June 28, 2023, at 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

Manila, Philippines, June 1, 2023.

JOSE S. SANTOS, JR.
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

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

2. Certification of Notice and Quorum
The Secretary, Jose S. Santos, Jr., will certify that the notice of the meeting was sent to the stockholders on record in accordance with the Company's bylaws, by posting on the Company website and the Philippine Stock Exchange Edge platform. He will also certify that there is a quorum to transact business in the meeting.

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

4. Annual Report and Approval of the 2022 Consolidated Audited Financial Statements
A video will be shown to the stockholders to present the Company's 2022 Annual Report, Consolidated Audited Financial Statements and Sustainability Report to the stockholders. A resolution ratifying the Annual Report and the 2022 Consolidated Audited Financial Statements will be presented to the stockholders for their approval.

5. Election of Regular and Independent Directors
The Chairman of the meeting will announce the names of the nominees for the election of directors and will ask the Corporate Secretary to report the result of the stockholders' voting. The nominees for directors are:

As regular directors:
a. Mr. Lucio L Co
b. Ms. Susan P. Co
c. Mr. Leonardo B. Dayao
d. Mr. Roberto Juanchito T. Dispo
e. Mr. Levi B. Labra
f. Ms. Lily K. Gruba

As independent directors:
a. Mr. Ramon J.P. Paje
b. Ms. Cecilia C. Borromeo

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

6. Amendment of the Bylaws
A resolution to approve the proposed revision in the Company's bylaws will be presented for stockholders' approval.

7. Re-appointment of External Auditor and fixing its remuneration
A resolution to appoint R.G. Manabat & Company (KPMG) with payment of up to P10.1 million as the company's External Auditor and its subsidiaries will be presented for stockholders' approval.

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

PART 1: INFORMATION REQUIRED IN THE INFORMATION STATEMENT

A. GENERAL INFORMATION

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

(a) June 30, 2023, Friday, 10:00 AM, via Zoom Meeting
Principal Office: No. 900 Romualdez St., Paco, Manila 1007

(b) The Information Statement will be available on the Company's website, www.coscocapital.com, beginning on June 2, 2023.

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

Item 2. Dissenters' Right of Appraisal

Under Section 80, Title X of the Revised Corporation Code, any stockholder shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

a) In case of an amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
b) In case of a sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all the corporate property and assets;
c) In case of merger or consolidation; and
d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

However, there are no matters or actions to be taken up at the meeting that may give rise to a possible exercise by stockholders of their appraisal rights.

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

(a) No director, officer, nominee or any associate of the foregoing person has a substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election or appointment to office.

(b) No director, officer, nominee or any associate of the foregoing person has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting and indicate the action he intends to oppose.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders

(a) Number of outstanding shares as of May 24, 2023:
7,170,721,764 common shares

Number of votes entitled: one (1) vote per share

(b) All stockholders on record, as of May 24, 2023, shall be entitled to vote in the meeting.

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

On May 9, 2023 special board meeting of the Company, the board allowed the stockholders to attend and *vote in absentia*, details of which are provided in the notice of the meeting.

(d) Security Ownership of Certain Beneficial Owners and Management

1. Security ownership of more than 5% of the stock of the Company as of record date, May 24, 2023:

Title of Class	Name, Address of record owner	Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	Percent
Common	Mr. Lucio L. Co	Chairman	Direct	Filipino	2,380,741,492	33.20%
Common	Mrs. Susan P. Co	Vice-Chairman	Direct	Filipino	1,780,182,230	24.83%

2. Security Ownership of Directors and Executive Officers of the Company as of record date, May 24, 2023:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Mr. Lucio L. Co	Direct	Filipino	2,380,741,492	33.20%
Common	Ms. Susan P. Co	Direct	Filipino	1,780,182,230	24.83%
Common	Mr. Leonardo B. Dayao	Direct	Filipino	750,982	0.01%
Common	Mr. Levi B. Labra	Direct	Filipino	100	0.00%
Common	Mr. Roberto Juanchito T. Dispo	Direct	Filipino	100	0.00%
Common	Mr. Oscar S. Reyes	Direct	Filipino	54,265	0.00%

3. None of the officers or directors have any voting trust agreement for their ownership of the Company's stocks.

4. Foreign ownership level as of record date, May 24, 2023:

   925,357,911 common shares, or 12.90% of the Company's outstanding capital stock.

Item 5. Directors and Executive Officers

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

(i) Directors

In 2022, the Company's board of directors comprised of nine members:

Mr. Lucio L. Co	68 years old	Filipino	Regular Director since 2012
Ms. Susan P. Co	65 years old	Filipino	Regular Director since 2013
Mr. Leonardo B. Dayao	79 years old	Filipino	Regular Director since 2010
Mr. Roberto Juanchito T. Dispo	59 years old	Filipino	Regular Director since 2017
Mr. Levi B. Labra	65 years old	Filipino	Regular Director since 2017
Mr. Ramon J.P. Paje	62 years old	Filipino	Independent Director since 2022
Mr. Oscar S. Reyes	77 years old	Filipino	Independent Director since 2013
Mr. Bienvenido E. Laguesma	72 years old	Filipino	Independent Director 2017-2022 *(resigned)*
Mr. Robert Y. Cokeng	71 years old	Filipino	Independent Director 2013-2022 *(deceased)*

At the special board meeting on June 2, 2023, the Company approved the final list of nominees for the 2023-2024 election of directors, based on the recommendation of the Corporate Governance Committee. The nominees are as follows:

Mr. Lucio L. Co	68 years old	Filipino	Regular Director
Ms. Susan P. Co	65 years old	Filipino	Regular Director
Mr. Leonardo B. Dayao	79 years old	Filipino	Regular Director
Mr. Roberto Juanchito T. Dispo	59 years old	Filipino	Regular Director
Mr. Levi B. Labra	65 years old	Filipino	Regular Director
Ms. Lily K. Gruba	73 years old	Filipino	Regular Director
Mr. Ramon J.P. Paje	62 years old	Filipino	Independent Director
Ms. Cecilia C. Borromeo	64 years old	Filipino	Independent Director

The business profiles of the nominees for the election of directors in the forthcoming stockholders' meeting of the Company are as follows:

MR. LUCIO L. CO is the Chairman of the Company. He is also the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc. He is also the Chairman of Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Makabayan Holdings Incorporated, Union Energy Corporation, and Union Equities, Inc. He is a Director of these companies: Bacolod Real Estate Development Corporation, Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation, Illido Management Corporation, KMC Realty Corporation, Negros Water Company, Patagonia Holdings Corp., PPCI Subic, Inc., S&R Pizza Harbor Point, Inc., S&R Pizza, Inc., and VS Gripal Power Corporation. He is a member of the Board of Trustees of Luis Co Chi Kiat Foundation, Inc. Mr. Co has been an entrepreneur for the past 40 years.

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

MS. SUSAN P. CO is the Vice-Chairman of the Company. Mrs. Co concurrently holds the following positions in other companies: Chairman and President of Cosco Price, Inc., Chairman of Kareila Management Corporation, Tower 6789 Corporation, President of Makabayan Holdings Incorporated, and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Patagonia Holdings Corp., PPCI Subic, Inc., Premier Wine and Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Blue Origin Holdings Incorporated, Illido

Management Corporation, Union Energy Corporation, and Union Equities, Inc. Mrs. Co received a Bachelor of Science degree in Commerce from the University of Santo Tomas.

Mrs. Co also serves in other PSE-listed companies: Chairman of Puregold Price Club, Inc. and Director of the Philippine Bank of Communications.

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

He is a Certified Public Accountant. He completed the Basic Management Program at the Asian Institute of Management and earned units in MBA from the University of the Philippines-Cebu.

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

MR. LEVI LABRA is one of the Executive Directors of the Company. Before joining the Company, Mr. Labra worked at Procter & Gamble for 35 years. He was the Sales Head and a management committee member for 20 years. He was Regional Sales Manager for three years, building sales organization and systems for India, Indonesia, Malaysia, Singapore, South Korea, and Thailand. Mr. Labra also serves as Director of Hope Philippines, Inc.

He graduated with honors, Cum Laude, from the University of San Carlos in 1978 with a degree of Bachelor of Science, major in Business Administration.

He holds the following positions in other Philippine listed companies: Board Consultant of Puregold Price Club, Inc. and Director of Philippine Bank of Communications.

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

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

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

Banking and Finance Economic Institute, the University of Colorado, in 1994 and a Master's in Business Economics from the University of Asia and the Pacific in 2014.

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

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

MS. LILY K. GRUBA is currently a Senior Counsel in Zambrano Gruba Caganda & Advincula Law Offices, Director of Asia United Bank, Executive Director for Fr. Joaquin Bernas, SJ Center for Continuing Legal Education, and Faculty Member in Ateneo de Manila University College of Law. She was a Bar Examiner for Taxation in 2019 and 2007 and in Commercial Law in 2012. She was an Associate Dean for Fr. Joaquin Bernas, SJ Center for Continuing Legal Education from March 2003 to May 2018; Undersecretary in the Department of Finance from July 1998 to January 2001; and Vice-President and Special Assistant to the President General Counsel in the Land Bank of the Philippines from 1987 to 1992. Atty. Gruba authored three books: A Survey of the Amendments Introduced by Train Law, 2019; Guide Notes and Cases on Tax Remedies, 2018; and Guide Notes and Cases on the General Principles of Taxation and the Organization of the Bureau of Internal Revenue, 2016.

She was nominated Tax Lawyer of the Year for Southeast Asia in 2023 (Legal500) and one of The Philippines Top 100 Lawyers from 2018 to 2022 (Asia Business Legal Journal). She speaks English, Filipino, Fokien, and Mandarin.

She graduated from the University of Santo Tomas in 1972 with a Bachelor of Arts in Psychology, and a Bachelor of Laws from the Ateneo Law School, Ateneo de Manila University in 1976. She was admitted to the Philippine Bar in 1977. She took a Master of Laws in 1981 from the Georgetown University Law Center, Washington D.C., United States of America.

MR. RAMON J.P. PAJE was appointed Independent Director of the Company on November 8, 2022. Dr. Paje served as Secretary of Environment and Natural Resources (DENR) under President Benigno S. Aquino III from 2010-2016. As DENR Secretary, he implemented: a total logging ban, which saved the forests for the future generations of Filipinos by stopping the massive forest loss caused by centuries of logging; the National Greening Program, which improved the country's forest cover, increased the productivity of forestlands and reduced upland poverty; Geohazard Mapping, which determined the flood-prone and landslide-prone areas nationwide and significantly enhanced the country's disaster preparedness; and The upgrading of fuel standard from Euro 2 to Euro 4, which reduced urban pollution by significantly decreasing the fuel's Sulfur content from 500 ppm to 50 ppm. Likewise, Secretary Paje pursued the Philippine claim to the Benham Rise (now Philippine Rise), with the strong effort of the National Mapping and Resource Information Authority (NAMRIA), resulting in the approval by the United Nations in April 2012 and increased the country's territorial waters and natural wealth by more than 13 Million hectares. He also signed the historic Paris Agreement on Climate Change for the Republic of the Philippines on April 22, 2016, at the UN Headquarters in New York.

MS. CECILIA C. BORROMEO was the President and CEO of the Land Bank of the Philippines from March 2019 to May 2023, President and CEO of the Development Bank of the Philippines from January 2017 to February 2019, Executive Vice-President in various sectors and departments in the Land Bank of the Philippines from 1989 to 2017.

Ms. Borromeo graduated from the University of the Philippines with a Bachelor of Science in Agribusiness in 1979. She took a Master's in Business Administration from Dela Salle Business School from 1980 to 1982 and a Post Graduate Course in Advanced Bank Management from the Asian Institute of Management in 1995.

She was awarded the Outstanding CEO Award in May 2023 by the Association of Development Financing Institutions in Asia and the Pacific, the 2021 Distinguished Alumni Award for Corporate Governance in the field of Banking and Finance in February 2022 by the University of the Philippines Alumni Association and 2019 Outstanding Alumna of College of Economics and Management (CEM) of the University of the Philippines, Los Baños (UPLB).

(B) Executive Officers

After the annual stockholders' meeting, the board convenes for an organizational meeting. It appoints officers who will assume the positions of President, Treasurer, Corporate Secretary, Compliance Officer, Lead Independent Director, Internal Auditor, and Committee members. In 2022, the organizational meeting took place on June 24, 2022. The board renewed the appointment of the following officers:

MR. TEODORO A. POLINGA, Filipino, 64 years old, started with Puregold Price Club, Inc. as Senior Finance Manager in 2013 and became the Company's Group Comptroller in 2014 covering the parent Company and all its subsidiaries, and he continues to hold this portfolio up to the present. He was the founding President and Director of MTM Ship Management (Philippines), Inc. from October 2013 to June 2014, Executive Director and Chief Finance Officer of Alchem Energy Limited from 2010 to 2012, and Director and Chief Finance Officer of Phoenix Petroleum Philippines, Inc. from February 2007 to February 2008. Mr. Polinga is a Sustaining Life Member of the Philippine Institute of Certified Public Accountants (PICPA), Member/Past Director of the Rotary Club of Makati – Legazpi, and Director & Vice President of B.F. International Homeowners Association. Mr. Polinga graduated with honors, Magna Cum Laude, from the Holy Name University (Formerly Divine Word College of Tagbilaran City) with a degree of Bachelor of Science major in Accounting in 1978 and passed the CPA Board Examination in October 1979. He completed a Management Development Program at the Asian Institute of Management in 1990.

MR. JOSE S. SANTOS, JR., Filipino, 82 years old, has been the Company's Corporate Secretary since 2013. He is a practicing lawyer. He is a graduate of Lyceum of the Philippines with a degree of Bachelor of Laws in 1961. He became a member of the Philippine Bar in 1961.

MS. CANDY H. DACANAY, Filipino, 44 years old, has been the Company's Assistant Corporate Secretary and Compliance Officer since 2013. Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of Cum Laude. She finished her Bachelor of Laws from the University of Santo Tomas in 2003 and was admitted to the Philippine Bar in 2004. She started her career as Associate Counsel of Puregold Price Club, Inc. from 2004 to 2011. She became the Company's Assistant Corporate Secretary and, at the same time, Compliance Officer in 2012 and Data Privacy Officer in 2018. Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Puregold Price Club, Inc. (a listed Company), The Keepers Holdings, Inc. (a listed Company), Kareila Management Corporation (S&R warehouse), and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation. She completed the Harvard Business School Online Certificate Program, "Sustainable Business Strategy" in 2020.

MS. EMERLINDA D. LLAMADO, Filipino, 61 years old, has been the Company's Internal Auditor since 2013. Ms. Llamado joined the Company in 2012. Before joining the Company, she worked as System Assistant and Audit Manager from 1984 to 2012 with the Ever Gotesco Group of Companies. She graduated from Far Eastern University with a Bachelor of Science in Accountancy degree in 1984. Ms. Llamado is a Certified Public Accountant.

MR. FERDINAND VINCENT P. CO, Filipino, 41 years old, is currently the President of Puregold Price Club, Inc. He concurrently holds the following positions: Chairman and President of Alerce Holdings Corp., Blue Ocean Foods, Inc., Forbes Corporation, Invesco Company, Inc., KMC Realty Corporation, League One, Inc., PPCI Subic Inc., Patagonia Holdings Corp., Purepadala, Inc., and VFC Land Resources, Inc., Filmore Holdings

Incorporated, Illido Management Corporation, Azora Holdings Incorporated, SPC Resources Inc.; Chairman of Pinehurst Creek Holdings Corporation, South Coast Automotive Group, Inc. and Pure Commerce, Inc.; President of Ayagold Retailers, Inc., Entenso Equities, Inc., Union Equities, Inc., Aracena Holdings Corporation, Blue Origin Holdings Incorporated, Imperium Holdings, Inc.; and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Meritus Prime Distributions, Inc., P.G. Holdings, Inc., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City Power Corp., Tower 6789 Corporation, Cassina Creek Holdings Corporation, Makabayan Holdings Incorporated, Maxent Investment, Inc. and Union Energy Corporation. Mr. Vincent Co received a Bachelor of Science degree in Entrepreneurial Management from the University of Asia and the Pacific in 2003.

MR. JOSE PAULINO L. SANTAMARINA, Filipino, 59 years old, is currently the President of The Keepers Holdings, Inc. He was the former President of Premier Wines and Spirits, Inc., one of the leading companies in the imported wine and spirits industry and a company he helped co-found in 1996. And before Premier, Mr. Santamarina was the Chief Financial Officer (1988-1996) of CMG Marketing, Inc., a subsidiary of United Distillers Ltd., the precursor of what is now known as Diageo. CMG pioneered the imported wine and spirits industry established during the early stages of market liberalization in 1986. He started as an auditor for the professional firm SGV from 1984 to 1988. He concurrently holds directorship and officer positions in the following companies: Booze On-line, Inc., Cleangreen Energy Corporation; Karayan Hydropower Corporation, Liquorph Distributors Corp., Pamana Consortium, Inc., Pamana Water Corporation, Premier Wine and Spirits, Inc. (Chairman and President), San Jose City I Power Corp., Southern Utility Management and Services Incorporation, Technowater Corporation, Fertuna Distributions, Inc. and VS Gripal Power Corporation. Mr. Santamarina graduated from Ateneo de Davao University, with a Bachelor of Science in Accountancy degree, in 1984. He is a Certified Public Accountant.

MR. ANTHONY G. SY, Filipino, 62 years old, is currently the President of Kareila Management Corporation. He joined the Group in 2006. Before Kareila, Mr. Sy worked as President of the Visual Merchandising Center from 1986 to 2006. He graduated from Ateneo De Manila University, with a Bachelor of Science in Management Engineering degree, in 1982.

MS. IRAIDA B. DE GUZMAN, Filipino, 63 years old, is currently the President of Office Warehouse. Before Office Warehouse, Ms. De Guzman was Senior Vice-President of Puregold from 1999 to 2014. She is a graduate of the Polytechnic University of the Philippines with a Bachelor of Science in Commerce, major in Economics.

MS. GIRLIE M. SY, Filipino, 60 years old, heads the Real Estate Segment of the Group. She started her career in Puregold Finance, Inc. as Finance and Administration Manager in 1995 up to the present and as Finance and Administration Manager for Bellagio Holdings, Inc., 2005 up to the present. Ms. Sy graduated from Far Eastern University, with a degree of Bachelor of Science in Psychology, in 1983.

MS. CAMILLE CLARISSE P. CO, Filipino, 34 years old, is currently the Chairman and President of Meritus Prime Distributions, Inc. She is also a Director of Alerce Holdings, Corp., Blue Ocean Holdings, Corp., CHMI Hotels and Residences, Inc., Fertuna Holdings, Corp., Invesco Company, Inc., KMC Realty Corporation, League One, Inc., Montosco, Inc., Nation Realty Inc., P.G. Holdings, Inc., Patagonia Holdings, Corp., Pure Petroleum Corp., Premier Wine and Spirits, Inc. Puregold Properties, Inc., S&R Pizza, Inc., SPC Resources, Inc., Union Equities, Inc., VFC Land Resources, Inc. Ms. Co graduated from Dela Salle University, with a degree of Bachelor of Arts in Psychology, in 2009.

MS. JANELLE O. UY, Filipino, 34 years old, is currently the Chairman and President of Montosco, Inc. Before joining Montosco, Ms. Uy worked as a Key Account Manager at

Unilever Philippines from 2009 to 2013. She graduated from Dela Salle University, with a degree in Applied Corporate Management, in 2009.

MR. ROBIN DERRICK C. CHUA, Filipino, 33 years old, is the Head of Premier Wine and Spirits, Inc. Before joining Premier, Mr. Chua worked in various consumer marketing and sales roles in Unilever Philippines and overseas from 2012 to 2018. He graduated from Ateneo de Manila University, with a Bachelor's degree in Management and a Minor in Entrepreneurship, in 2012.

Family Relationships

1. Mr. Lucio L. Co and Mrs. Susan P. Co are husband and wife.
2. Mr. Ferdinand Vincent P. Co and Ms. Camille Clarisse P. Co are two of the four children of Mr. and Mrs. Lucio and Susan Co.
3. Mr. Robin Derrick C. Chua is a nephew of Mr. Lucio and Mrs. Susan Co.

Involvement in Certain Legal Proceedings

As of December 31, 2022, and in the past five years, the Company has no director, executive officer, or principal officer who is involved in any of the following:

1. Bankruptcy case.

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

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

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

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

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

Item 6. Compensation of Directors and Executive Officers

The Company pays a fixed monthly compensation to its employees subject to periodic performance reviews. The board members receive per diem allowances of P50,000.00 per board meeting and P20,000 per committee meeting. The Company held seven board meetings and four committee meetings in 2022.

The total annual compensation of the President and the four most highly compensated officers of the Company amounted to P7,200,000.00 in 2021, P8,141,182.11 in 2022, and the projected compensation for the year 2023 is P8,400,000.00, please see the table for more details:

Name and Position	Year	Salary	Bonus	Other Annual Compensation
Lucio L. Co, Chairman Susan P. Co, Vice-Chairman				

Leonardo B. Dayao, President Teodoro A. Polinga, Comptroller Andres S. Santos, Legal Counsel				
Aggregate compensation of the President and the four most highly compensated officers	2021	P7,200,000.00	-	-
	2022	P8,141,182.11	-	-
	2023 Projected	P8,400,000.00	-	-
Aggregate compensation paid to all other officers and managers	2021	P2,381,005.00	-	-
	2022	P3,542,000.00	-	-
	2023 Projected	P3,700,000.00	-	-

(B) Standard Arrangements

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

(C) Other Arrangements

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

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

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

(E) Warrants and Options

The Company has no warrants or options.

Item 7. Independent Public Accountants

(a) The Company's external auditor in 2022:

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

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

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

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

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

(f) The Company paid R.G. Manabat & Company P7,860,300.00 in 2021 and P10,161,931.00 in 2022 as Audit Fee.

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

Please refer to the Company's 2022 Consolidated Audited Financial Statements attached as **Annex "C"**, Management Discussion and Analysis as "**Annex D**", and the First Quarter – 2023 Financial Report as **Annex "E"**.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matter

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Minutes of the 2022 Annual Stockholders' Meeting
(b) Annual Report and the 2022 Consolidated Audited Financial Statements.

Item 16. Matters Not Required to be Submitted

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

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

On May 9, 2023, the Company's board of directors approved amending the Company's bylaws to change the date of the annual stockholders meeting. The details of the amendments are presented below:

From	To
Annual Meeting – The annual meeting of the stockholders of this corporation shall be held in Metro Manila **on the last Friday of June of each year** at such time as may be fixed by the Board of Directors. The corporation may conduct physical or entirely virtual meetings subject to the applicable guidelines of the Securities and Exchange Commission.	Annual Meeting – The annual meeting of the stockholders of this corporation shall be held in Metro Manila **on any day of May of each year** and at such time as may be fixed by the Board of Directors. The corporation may conduct physical or entirely virtual meetings subject to the applicable guidelines of the Securities and Exchange Commission.

The board of directors decided to fix the date of the annual meeting earlier to better communicate with the Company's stakeholders. The details stated in the Annual Report to the stakeholders would be more relevant and updated if reported to them closer to the end of the year being reported.

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

Item 18. Other Proposed Action

(a) Ratification of all acts and resolutions of the board of directors and management from the previous stockholders' meeting. The material matters approved by the board of directors in 2022 are outlined in the Summary of SEC 17-C Reports, **Annex "F"** hereof.

(b) Election of regular and independent directors.

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

As regular directors:

a. Mr. Lucio L. Co
b. Ms. Susan P. Co
c. Mr. Leonardo B. Dayao
d. Mr. Roberto Juanchito T. Dispo
e. Mr. Levi B. Labra
f. Ms. Lily K. Gruba

As independent directors:

a. Mr. Ramon J.P. Paje
b. Ms. Cecilia C. Borromeo

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

Upon the recommendation of the Audit Committee, the board recommended the re-appointment of R.G. Manabat & Company as External Auditor of the Company and its subsidiaries for the year 2022 with a professional fee of up to P10.1 million.

Item 19. Voting Procedures

(a) The affirmative vote of at least the majority of the shares present or represented in the meeting shall be required to approve all actions submitted to the vote of stockholders.

(b) The stockholders may cast their votes by sending proxies or voting in absentia. Please refer to **Annex "A"** – Voting Form and **Annex "B"**- Guidelines for participating in the 2023 Annual Stockholders Meeting". The stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation as of the record date.

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

All stockholders' votes must be submitted by email to corporate.governance@coscocapital.com on or before June 27, 2023.

(c) The Company will count and validate the stockholders' votes on June 28, 2023.

E. MARKET INFORMATION

(A) Shares of stock

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

Period	**2020**		**2021**		**2022**	
	High	Low	High	Low	High	Low
1st Quarter	6.80	4.29	5.65	5.10	5.24	4.82
2nd Quarter	5.61	4.78	5.41	4.80	4.96	4.24
3rd Quarter	5.50	4.81	5.38	4.86	4.50	3.80
4th Quarter	5.80	5.05	5.45	4.95	4.67	3.92

*2023 – 1st Quarter: High 4.97 and Low 4.00

As of June 1, 2023, the Company's share is trading at P4.85 per share.

(B) Stockholders

As of December 31, 2022, the Company has 993 stockholders on record, 7,405,263,564 issued shares, 7,182,845,764 outstanding capital stock, and 222,417,800 treasury shares.

The Company's Top 20 Stockholders as of December 31, 2022:

	STOCKHOLDERS	**No of Shares**	**Percentage**
1	Co, Lucio L.	2,380,741,492.00	33.14%
2	Co, Susan P.	1,780,182,230.00	24.78%
3	Citibank N.A	437,251,300.00	6.09%
4	Standard Chartered Bank	392,673,088.00	5.47%
5	Ellimac Prime Holdings, Inc.	244,228,990.00	3.40%
6	Co, Ferdinand Vincent P.	225,141,822.00	3.13%
7	Co, Pamela Justine P.	225,120,671.00	3.13%
8	VFC Land Resources, Inc.	220,066,929.00	3.06%
9	KMC Realty Corporation	150,832,231.00	2.10%
10	The Hongkong And Shanghai Banking Corp - Ltd.	107,175,036.00	1.49%
11	Co, Camille Clarisse P.	106,838,231.00	1.49%
12	Ansaldo Godinez & Co., Inc.	91,594,936.00	1.28%

13	Col Financial Group, Inc.	74,644,415.00	1.04%
14	Deutsche Bank Manila - Clients A/C	69,289,970.00	0.96%
15	SPC Resources, Inc.	58,500,000.00	0.81%
16	BDO Securities Corporation	47,064,065.00	0.66%
17	SB Equities, Inc.	34,136,535.00	0.48%
18	HDI Securities, Inc.	33,345,494.00	0.46%
19	First Metro Securities Brokerage Corp.	31,927,683.00	0.44%
20	Abacus Securities Corporation	31,607,041.00	0.44%

(C) Dividends

The Company's cash dividend declarations from 2014 to 2022 are as follows:

Cash dividends are upon the board's declaration, but no stockholders' approval is required. Declaration of cash dividend depends on the Company's available cash and profitability.

Declaration Date	Amount and Type of Dividend (R-regular, S-special)	Record Date	Payment Date
June 27, 2014	S – 0.06 per share	July 11, 2014	July 28, 2014
December 18, 2014	R – 0.06 per share S – 0.02 per share	January 12, 2015	February 5, 2015
December 18, 2015	R – 0.06 per share S – 0.02 per share	January 8, 2016	January 18, 2016
December 22, 2016	R – 0.06 per share S – 0.02 per share	January 12, 2017	January 20, 2017
December 15, 2017	R – 0.06 per share S – 0.04 per share	January 2, 2018	January 26, 2018
February 1, 2019	R – 0.06 per share S – 0.04 per share	February 15, 2019	March 1, 2019
December 18, 2020	R – 0.08 per share S – 0.04 per share	January 8, 2021	January 29, 2021
December 18, 2020	S – 0.04 per share	January 15, 2021	February 9, 2021
December 21, 2021	R – 0.08 per share S – 0.04 per share	January 10, 2022	February 3, 2022
December 21, 2022	R – 0.14 per share S – 0.05 per share	January 18, 2023	January 28, 2023

The Company has not yet declared stock or property dividends; it would require stockholders and the SEC approval.

(D) Recent Sale of Securities

None in 2022.

F. CORPORATE GOVERNANCE

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

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

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

(d) Except in 2020, 2021 and 2022, due to the Covid 19 pandemic, the Company conducted annual corporate governance training for all its directors and officers.

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

2019	May 14	1:00-5:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company

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

In 2022, the board held eight meetings—January 25, April 11, May 6, May 19, June 24, August 6, November 8, and December 21, and four Audit Committee meetings and one Corporate Governance Committee meeting.

Please see below the record of attendance of directors in the 2022 board and committee meetings:

	No. of Board Meetings Held/Attended	No. of Audit Committee Meetings Held/Attended	No. of Corporate Governance Committee Meetings Held/Attended	Total
Lucio L. Co	8/8	Not Member	1/1	100%
Susan P. Co	8/8	4/4	Not Member	100%
Leonardo B. Dayao	8/8	4/4	1/1	100%
Levi B. Labra	8/8	Not Member	Not Member	100%
Roberto Juanchito T. Dispo	8/8	Not Member	Not Member	100%
Jaime J. Bautista	5/5	Not Member	Not Member	100%
Robert Y. Cokeng (ID)	8/8	4/4	1/1	100%
Oscar S. Reyes (ID)	8/8	4/4	1/1	100%
Bienvenido E. Laguesma (ID)	5/5	2/2	1/1	100%
Ramon Jesus P. Paje (ID)	1/1	Not Member	Not Member	100%

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

Directors do not participate in the discussion of fixing remuneration.

(e) Committee Membership

The Company has three board committees, the Executive Committee, Corporate Governance Committee, and the Audit Committee. The board appointed its members during the organizational meeting held on June 24, 2022, as follows:

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

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

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

Please see attached Minutes of the 2022 Annual Stockholders Meeting hereto attached as **Annex "G".**

SIGNATURE PAGE

After reasonable inquiry and to the best of our knowledge and belief, we hereby certify that the information set forth in this Preliminary Information Statement is true, complete, and correct. This report was signed in the City of Manila, Philippines, on June 2, 2023.

COSCO CAPITAL, INC.

By:

Mr. Leonardo B. Dayao
President

Atty. Jose S. Santos, Jr.
Corporate Secretary

ANNEX "A"

cosco capital
incorporated

COSCO CAPITAL, INC.
Annual Stockholders Meeting
June 30, 2023 www.coscocapital.com

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

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

	Agenda Item	**FOR**	**AGAINST**	**ABSTAIN**
1	Approval of Minutes of the Previous Annual Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2022			
2	Approval of 2022 Annual Report and Audited Financial Statements			
	Election of Directors			
3	Mr. Lucio L. Co			
3.1	Mrs. Susan P. Co			
3.2	Mr. Leonardo B. Dayao			
3.3	Mr. Roberto Juanchito T. Dispo			
3.4	Mr. Levi E. Labra			
3.5	Ms. Lily K. Gruba			
3.6	Mr. Ramon J.P. Paje, *Independent Director*			
3.7	Ms. Cecilia Borromeo, *Independent Director*			
4	Amendment of Bylaws			
5	Re-appointment of RG Manabat & Company as External Auditor of the Company and subsidiaries with up to P10.1 million fee			

Name of Stockholder ___________________________

Number of Shares ___________________________

Signature of Stockholder / Authorized Signatory ___________________________

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

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

3. This form should be sent by e-mail to corporate.governance@coscocapital.com on or before June 27, 2023. The Company will validate the votes on June 28, 2023, at 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

ANNEX "B"

GUIDELINES FOR PARTICIPATING IN 2023 ANNUAL STOCKHOLDERS' MEETING OF COSCO CAPITAL, INC. VIA REMOTE COMMUNICATION AND VOTING *IN ABSENTIA*

The 2023 Annual Stockholders' Meeting ("**ASM"**) of **COSCO CAPITAL, INC.** (the "Company") will be held on June 30, 2023, at 10 am, via live Zoom meeting.

Registration

Stockholders must notify the Corporate Secretary of their intention to participate in the ASM via remote communication or vote *in absentia* by no later than June 27, 2023, by sending an email to corporate.governance@coscocapital.com and by submitting the following supporting documents/information:

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

Online Voting and Meeting

The stockholders who have sent us their intention to participate in the ASM shall be notified via email of their login passwords to join the online meeting. There will be video recordings of the ASM, which a stockholder on record may avail upon request. The stockholders can then cast their votes following these simple steps:

1. Visit our Company website www.coscocapital.com
2. Look for the "Casting Votes in the 2023 Stockholders' Meeting" button.
3. Fill up the Voting Forms.
4. Submit your vote by clicking the "Submit" button.
5. For our verification, email the required documents under the "registration" portion at corporate.governance@coscocapital.com

6. After our verification, you will receive an email confirmation from the Company regarding your votes.

Open Forum

There will be Open Forum during the meeting, where representatives of the Company may answer as many questions as time will allow. However, a stockholder may send their questions in advance by emailing corporate.governance@coscocapital.com on or before June 27, 2023.

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

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

ANNEX "C"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 8 1 3 7 5 4

COMPANY NAME

COSCO CAPITAL, INC. AND
SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

900 ROmualdez Street
Paco, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 548-7110	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	March 31	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Teodoro A. Polinga	tedpolinga@coscocapital.com.ph	(02) 548-7110	

CONTACT PERSON's ADDRESS

900 Romualdez, Street, Paco, Manila

***Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

With Independent Auditors' Report

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Cosco Capital, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature ______________________
LUCIO L. CO / Chairman of the Board

Signature ______________________
LEONARDO B. DAYAO / President

Signature ______________________
TEODORO A. POLINGA / Chief Finance Officer

SUBSCRIBED AND SWORN to before me this ______ day of APR 17 2023 2023 affiants exhibiting to me their respective Tax Identification Number, as follows:

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

Doc. No. 298;
Page No. 61;
Book No. 36;
Series of 2023

Signed this ___ day of APR 17 2023, 2023

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2023-030 until Dec. 31, 2024
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 0862253 / 01-03-2023 / Mla
MCLE Compliance No. VII-0008868 / 02-11-22
No. 900 Romualdez St., Paco, Manila

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the consolidated financial statements of Cosco Capital, Inc. and its Subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

Key Audit Matters

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

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

The risk
The Group acquired through business combinations goodwill and other intangibles with indefinite lives totaling P20.9 billion. The Group tests for impairment annually by comparing the recoverable amounts to the carrying amounts.

We considered this as a key audit matter because assessment process is complex, involves significant management judgements and is based on key assumptions on expected future market and economic conditions, revenue growth, margin developments, the discount rates and (terminal) growth rates from management.

Our response
We performed the following audit procedures, among others, around impairment testing of goodwill and other intangibles with indefinite lives:

- We obtained the Group's discounted cash flow model that tests the carrying value of goodwill.

- We evaluated the reasonableness of key assumptions used by management in deriving the recoverable amount. These procedures included using our own internal valuation specialist to evaluate the key inputs and assumptions for growth and discount rates.

- We reviewed the cash flows used, with comparison to recent performance, trend analysis and market expectations, and by reference to prior year's forecast, where relevant, and assessing whether the Group has achieved them.

- We evaluated the adequacy of the disclosures in respect of impairment of goodwill and other intangibles with indefinite lives in the consolidated financial statements.

Revenue Recognition (P200.3 billion)
Refer to Notes 3 and 19 to the consolidated financial statements.

The risk
Revenue is not complex but it is an important measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.

Our response
We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers* and PFRS 16, *Leases*.

- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.

- We involved our information technology specialists to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.

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

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

- We tested all manual journal entries posted to revenue accounts to identify unusual or irregular items.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Dindo Marco M. Dioso.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563826
Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the consolidated financial statements of Cosco Capital, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

The risk
The Group acquired through business combinations goodwill and other intangibles with indefinite lives totaling P20.9 billion. The Group tests for impairment annually by comparing the recoverable amounts to the carrying amounts.

We considered this as a key audit matter because assessment process is complex, involves significant management judgements and is based on key assumptions on expected future market and economic conditions, revenue growth, margin developments, the discount rates and (terminal) growth rates from management.

Our response
We performed the following audit procedures, among others, around impairment testing of goodwill and other intangibles with indefinite lives:

- We obtained the Group's discounted cash flow model that tests the carrying value of goodwill.

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Refer to Notes 3 and 19 to the consolidated financial statements.

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Revenue is not complex but it is an important measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.

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The engagement partner on the audit resulting in this independent auditors' report is Dindo Marco M. Dioso.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
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PTR No. MKT 9563826
Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P59,682,265**	P63,860,207
Receivables - net	*5*	**6,363,575**	4,735,784
Inventories	*6, 20*	**34,697,639**	25,390,956
Financial assets at fair value through profit or loss	*7*	**4,299,380**	30,726
Financial assets at fair value through other comprehensive income	*8*	**6,570**	6,784
Due from related parties	*25*	**60,502**	60,340
Prepaid expenses and other current assets	*9*	**4,922,909**	1,648,099
Total Current Assets		**110,032,840**	95,732,896
Noncurrent Assets			
Investment in associates and joint ventures	*10*	**5,908,813**	715,393
Right of use of assets - net	*21*	**28,378,873**	24,406,913
Property and equipment - net	*11*	**39,018,477**	31,818,124
Investment properties - net	*12*	**9,584,048**	9,487,968
Goodwill and other intangibles - net	*13*	**21,053,981**	21,057,378
Deferred tax assets - net	*27*	**1,247,250**	882,764
Deferred oil and mineral exploration costs - net	*14*	**10,647**	6,154
Other noncurrent assets	*15*	**3,302,477**	3,484,160
Total Noncurrent Assets		**108,504,566**	91,858,854
		P218,537,406	P187,591,750
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*16*	**P28,258,714**	P16,872,386
Income tax payable		**1,109,767**	1,054,585
Lease liabilities due within one year	*21, 25*	**1,470,464**	1,223,723
Short-term loans	*17*	**148,000**	48,000
Current maturities of long-term loans due within one year	*17*	**120,000**	120,000
Due to related parties	*25*	**5,436,169**	692,219
Other current liabilities	*18*	**843,765**	776,867
Total Current Liabilities		**37,386,879**	20,787,780

Forward

		December 31	
	Note	**2022**	2021
Noncurrent Liabilities			
Long-term loans	*17*	**P11,545,793**	P11,650,458
Lease liabilities	*21, 25*	**34,455,564**	30,271,128
Retirement benefits liability	*26*	**1,058,107**	1,346,544
Other noncurrent liabilities	*18, 21*	**1,285,168**	442,128
Total Noncurrent Liabilities		**48,344,632**	43,710,258
Total Liabilities		**85,731,511**	64,498,038
Equity			
Capital stock	*28*	**7,405,264**	7,405,264
Additional paid-in capital		**9,640,491**	9,634,644
Treasury stock	*28*	**(1,866,402)**	(1,734,603)
Retirement benefits reserve	*26*	**270,835**	52,651
Other reserve		**2,375**	1,859
Retained earnings		**71,621,881**	65,943,338
Total Equity Attributable to Equity Holders of the Parent Company		**87,074,444**	81,303,153
Noncontrolling Interests	*28*	**45,731,451**	41,790,559
Total Equity		**132,805,895**	123,093,712
		P218,537,406	P187,591,750

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2022**	2021	2020
REVENUES	*19, 29*			
Net sales		**P196,254,167**	P173,631,651	P176,250,557
Rent		**882,597**	822,122	1,065,742
		197,136,764	174,453,773	177,316,299
COST OF REVENUES	*20*			
Cost of goods sold		**158,477,292**	140,200,718	144,410,198
Cost of rent		**727,525**	621,445	610,939
		159,204,817	140,822,163	145,021,137
GROSS INCOME		**37,931,947**	33,631,610	32,295,162
OTHER REVENUE	*19, 22*	**3,187,089**	3,216,628	3,157,850
TOTAL GROSS INCOME AND OTHER REVENUE		**41,119,036**	36,848,238	35,453,012
OPERATING EXPENSES	*23*	**23,579,269**	21,461,845	20,147,712
INCOME FROM OPERATIONS		**17,539,767**	15,386,393	15,305,300
OTHER INCOME (CHARGES)				
Interest expense	*17, 21*	**(2,559,538)**	(2,522,629)	(2,198,570)
Interest income	*4, 25*	**867,816**	494,616	696,110
Others - net	*24*	**79,016**	144,826	30,693
		(1,612,706)	(1,883,187)	(1,471,767)
INCOME BEFORE INCOME TAX		**15,927,061**	13,503,206	13,833,533
PROVISION FOR INCOME TAXES	*27*	**3,643,662**	2,991,716	3,824,607
NET INCOME		**P12,283,399**	P10,511,490	P10,008,926
Net income attributable to:				
Equity holders of the Parent Company		**P7,054,012**	P6,294,194	P5,900,195
Noncontrolling interests	28	**5,229,387**	4,217,296	4,108,731
		P12,283,399	P10,511,490	P10,008,926
Basic/diluted earnings per share attributable to equity holders of the Parent Company	*30*	**P1.02**	P0.91	P0.84

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2022**	2021	2020
NET INCOME		**P12,283,399**	P10,511,490	P10,008,926
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified subsequently to profit or loss				
Remeasurement gain (loss) on retirement benefits		**568,592**	373,659	(250,368)
Translation adjustment		**1,683**	-	-
Unrealized gain (loss) on financial assets	*8*	**(213)**	(1,581)	(844)
Share in other comprehensive of associates and joint ventures		**(954)**	(1,318)	-
Income tax effect		**(131,556)**	(101,755)	74,806
		437,552	269,005	(176,406)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P12,720,951**	P10,780,495	P9,832,520
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**P7,272,712**	P6,426,091	P5,811,794
Non-controlling interests	*28*	**5,448,239**	4,354,404	4,020,726
		P12,720,951	P10,780,495	P9,832,520

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands Except per Share Data)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 28)	Additional Paid-in Capital	Treasury Shares (Note 28)	Retirement Benefits Reserve (Note 26)	Other Reserve (Note 8)	Retained Earnings (Note 1)	Total	Non-controlling Interests (Notes 1 and 28)	Total Equity
Balance at December 31, 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	-	-	-	-	-	5,900,195	5,900,195	4,108,731	10,008,926
Other comprehensive income (loss)	-	-	-	(87,557)	(844)	-	(88,401)	(88,005)	(176,406)
	-	-	-	(87,557)	(844)	5,900,195	5,811,794	4,020,726	9,832,520
Acquisition of treasury shares	-	-	(248,887)	-	-	-	(248,887)	-	(248,887)
Cash dividends	-	-	-	-	-	(1,151,721)	(1,151,721)	(713,368)	(1,865,089)
Balance at December 31, 2020	**7,405,264**	**9,634,644**	**(1,652,861)**	**(82,145)**	**4,758**	**58,915,686**	**74,225,346**	**35,553,982**	**109,779,328**
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	6,294,194	6,294,194	4,217,296	10,511,490
Other comprehensive loss	-	-	-	134,796	(2,899)	-	131,897	137,108	269,005
	-	-	-	134,796	(2,899)	6,294,194	6,426,091	4,354,404	10,780,495
Issuance of shares by a subsidiary									
Net proceeds	-	-	-	-	-	-	-	4,326,867	4,326,867
Gain on dilution of ownership interest	-	-	-	-	-	1,599,029	1,599,029	(1,599,029)	-
	-	-	-	-	-	1,599,029	1,599,029	2,727,838	4,326,867
Acquisition of treasury shares	-	-	(81,742)		-	-	(81,742)	-	(81,742)
Cash dividends	-	-	-	-	-	(862,851)	(862,851)	(807,045)	(1,669,896)
Acquisition of noncontrolling interest						(2,720)	(2,720)	(38,620)	(41,340)
Balance at December 31, 2021	**P7,405,264**	**P9,634,644**	**(P1,734,603)**	**P52,651**	**P1,859**	**P65,943,338**	**P81,303,153**	**P41,790,559**	**P123,093,712**
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	7,054,012	7,054,012	5,229,387	12,283,399
Other comprehensive income	-	-	-	218,184	516	-	218,700	218,852	437,552
	-	-	-	218,184	516	7,054,012	7,272,712	5,448,239	12,720,951
Acquisition of treasury shares	-	-	(131,799)	-	-	-	(131,799)	-	(131,799)
Cash dividends	-	-	-	-	-	(1,364,696)	(1,364,696)	(1,427,146)	(2,791,842)
Acquisition of noncontrolling interest	-	-	-	-	-	(10,773)	(10,773)	(86,231)	(97,004)
Effect of acquisition of a subsidiary	-	5,847	-	-	-	-	5,847	6,030	11,877
Balance at December 31, 2022	**P7,405,264**	**P9,640,491**	**(P1,866,402)**	**P270,835**	**P2,375**	**P71,621,881**	**P87,074,444**	**P45,731,451**	**P132,805,895**

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P15,927,061**	P13,503,206	P13,833,533
Adjustments for:				
Depreciation and amortization	*11, 12, 13, 21*	**4,588,519**	4,624,580	4,195,584
Interest expense	*17, 21*	**2,559,538**	2,522,629	2,198,570
Interest income	*4, 25*	**(867,816)**	(494,616)	(696,110)
Retirement benefits cost	*26*	**291,810**	297,227	235,531
Share in losses (income) of joint ventures and associate	*10, 24*	**(68,996)**	13,979	15,313
Impairment loss on receivables	*5*	**14,192**	39,736	64,689
Gain from pre-terminated lease contracts	*21, 24*	**(4,593)**	(89,422)	(29,811)
Unrealized foreign exchange loss (gain)		**3,128**	12,979	19,482
Gain on insurance claims	*24*	**1,587**	(6,379)	(513)
Dividend income	*25*	**(983)**	(983)	(652)
Gain on disposal of property and equipment	*24*	**(570)**	(784)	(739)
Unrealized loss (gain) on financial assets at FVPL	*7, 24*	**324**	(3,211)	7,407
Loss (gain) from sale of financial assets through profit or loss	*7, 24*	**-**	5,292	(36,230)
Impairment loss on property and equipment	*11*	**-**	-	160,037
Operating income before changes in working capital		**22,443,201**	20,424,233	19,966,091
Decrease (increase) in:				
Receivables		**(1,576,425)**	47,854	129,711
Inventories		**(9,306,684)**	(476,684)	(192,002)
Prepaid expenses and other current assets		**(3,241,956)**	(230,086)	369,275
Due from related parties		**(161)**	124,511	7,216
Increase (decrease) in:				
Accounts payable and accrued expenses		**5,583,029**	205,364	2,344,714
Due to related parties		**4,743,950**	(69,812)	(581,429)
Other current liabilities		**65,964**	114,418	65,457
Other noncurrent liabilities		**22,495**	29,603	19,013
Cash generated from operations		**18,733,413**	20,129,663	22,128,046
Income taxes paid		**(3,852,242)**	(3,664,589)	(3,714,508)
Interest received	*4*	**867,816**	494,616	459,065
Retirement benefits paid	*26*	**(9,760)**	(4,308)	(8,839)
Net cash provided by operating activities		**15,739,227**	16,955,382	18,863,764

Forward

		Years Ended December 31		
	Note	**2022**	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at fair value through profit or loss		**(P4,268,978)**	P -	(P7,883,862)
Property and equipment	*11*	**(4,227,379)**	(3,877,335)	(3,448,850)
Investment properties	*12*	**(225,153)**	(467,404)	(137,454)
Intangibles	*13*	**-**	(32,274)	(28,678)
Deferred mineral and oil exploration		**(4,493)**	(6,154)	-
Investment in associates and joint ventures	*10*	**(5,124,424)**	-	-
Proceeds from (payments of):				
Direct costs on leases	*21*	**(400,000)**	-	-
Disposal of property and equipment		**3,220**	28,582	2,301
Insurance claims	*24*	**(1,585)**	6,379	513
Sale of financial assets through profit or loss	*7*	**-**	2,378,860	5,536,230
Decrease (increase in) other noncurrent assets		**194,866**	(252,605)	(947,330)
Acquisition of subsidiary, net of cash acquired	*1*	**(102,918)**	-	-
Dividends received	*25*	**983**	983	652
Collections of loans receivable	*25*	**-**	5,524,543	6,200,000
Interest received from loans receivable		**-**	-	237,045
Net cash from (used in) investing activities		**(14,155,861)**	3,303,575	(469,433)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of:				
Short-term loans	*17*	**130,000**	48,000	-
Long-term loans	*17*	**-**	-	12,000,000
Proceeds from sale of subsidiary shares	*1*	**-**	4,326,867	-
Payments of:				
Short-term loans	*17*	**(30,000)**	(42,000)	(829,124)
Long-term loans	*17*	**(120,000)**	(4,799,242)	(450,000)
Interest expense		**(525,967)**	(683,752)	(432,992)
Debt issuance cost		**-**	-	(129,000)
Repayments of lease:				
Principal amount		**(1,316,863)**	(471,245)	(704,849)
Interest expense		**(2,033,571)**	(1,838,877)	(1,758,234)
Cash dividends paid		**(1,632,976)**	(1,669,896)	(1,356,031)
Buyback of capital stock	*28*	**(131,800)**	(81,742)	(248,887)
Acquisition of noncontrolling interests		**(97,004)**	(41,340)	-
Net cash provided by (used in) financing activities		**(5,758,181)**	(5,253,227)	6,090,883

Forward

			Years Ended December 31	
	Note	**2022**	2021	2020
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(P3,128)**	(P12,979)	(P19,482)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(4,177,942)**	14,992,461	24,465,732
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**63,860,207**	48,867,746	24,402,014
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P59,682,265**	P63,860,207	P48,867,746

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The TKHI's principal office, which is also its registered office address, is at 900 Romualdez Street, Paco, Manila.

On December 1, 2022, Kareila Management Corporation acquired 100% ownership of PSMT for a total cost of P112.50 million paid in cash. The acquisition was accounted for under the pooling of interest method, which resulted in the recognition of additional paid-in capital ("APIC") amounting to P11.9 million in the consolidated financial statements. This represents mainly the excess of the P124 million net assets acquired over the cash consideration.

The financial information of PSMT as at the date of acquisition and for the eleven months period ending December 1, 2022 are as follows:

Current assets	**P103,628,388**
Noncurrent assets	**5,564,215,023**
Current liabilities	**4,027,564,579**
Noncurrent liabilities	**1,516,245,211**

Majority of PSMT's assets pertain to property and equipment amounting to P4.3 billion and right-of-use asset amounting to P1.2 billion while majority of its liabilities pertain to advances from a stockholder amounting to P4 billion and lease liability amounting to P1.5 billion.

For the month ended December 31, 2022, PSMT contributions to the Group's revenue and net income are negligible. If the acquisition had occurred on January 1, 2022, the effect on consolidated revenue net income is also negligible.

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

	Effective Percentage of Ownership			
	2022		2021	
	Direct	**Indirect**	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) and Subsidiaries	**49.23*[(a)]***	**-**	49.18*[(a)]*	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	**-**	**49.23**	-	49.18
• S&R Pizza (Harbor Point), Inc.	**-**	**49.23**	-	49.18
• S&R Pizza, Inc.	**-**	**49.23**	-	49.18
• PSMT Philippines, Inc.	**-**	**49.23**	-	-
▪ PPCI Subic, Inc. (PSI)	**-**	**49.23**	-	49.18
▪ Entenso Equities Incorporated (EEI)	**-**	**49.23**	-	49.18
▪ Melilla Management Corporation	**-**	**49.23**	-	-
▪ Purepadala, Inc.	**-**	**49.23**	-	49.18
Liquor Distribution				
The Keepers Holding Inc. (TKHI)	**77.54*[(b)]***	**-**	77.54*[(b)]*	-
Montosco, Inc.	**-**	**77.54**	-	77.54
Meritus Prime Distributions, Inc.	**-**	**77.54**	-	77.54
Premier Wine and Spirits, Inc.	**-**	**77.54**	-	77.54
Real Estate and Property Leasing				
Nation Realty, Inc.	**100**	**-**	100	-
Patagonia Holdings Corp.	**100**	**-**	100	-
Ellimac Prime Holdings, Inc. (EPHI)	**100**	**-**	100	-
Fertuna Holdings Corp.	**100**	**-**	100	-
Pure Petroleum Corp.	**100**	**-**	100	-
NE Pacific Shopping Centers Corporation (NPSCC)	**100**	**-**	100	-
Specialty Retail				
Office Warehouse, Inc. and a Subsidiary	**100**	**-**	100	-
▪ Office Warehouse (Harbor Point), Inc.	**-**	**100**	-	100
Canaria Holdings Corporation (CHC) and Subsidiaries [(b)]	**90**	**-**	90	-
Oil and Mining				
Alcorn Petroleum and Minerals Corporation (APMC)	**100**	**-**	100	-

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

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 11, 2023.

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

Determining the Term and Discount Rate of Lease Arrangements (Note 21)
Where the Group is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

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

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

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

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

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

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

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

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

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

Rent income recognized in profit or loss amounted to P0.88 billion, P0.82 billion and P1.1 billion in 2022, 2021 and 2020, respectively.

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

Estimating Allowance for Impairment Losses on Receivables (Note 5)
The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market

factors. The Group reviews the age and status of the receivable and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease current assets.

As at December 31, 2022 and 2021, the carrying amount of receivables amounted to P6.4 billion and P4.7 billion while the allowance for impairment losses amounted to P113.2 million and P89.3 million, respectively.

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

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

The carrying amount of inventories amounted to P34.7 billion and P25.4 billion as at December 31, 2022 and 2021.

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

The carrying amounts of goodwill and other intangibles with indefinite useful lives totaled P20.9 billion as at December 31, 2022 and 2021.

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

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

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

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

The impairment indicators affecting the Group's wells/platform under property and equipment and deferred oil and mineral exploration costs are lack of significant progress and final plug/abandonment of production wells as at December 31, 2022 and 2021. These resulted in impairment losses on property and equipment of P160 million in 2020 and deferred oil and mineral exploration costs of P128.1 million in 2019 (see Notes 11 and 14).

As at December 31, 2022 and 2021, the following are the carrying amounts of nonfinancial assets:

	Note	**2022**	2021
Property and equipment - net	*11*	**P39,018,477**	P31,818,124
Right-of-use assets - net	*21*	**28,378,873**	24,406,913
Investment properties - net	*12*	**9,584,048**	9,487,968
Investments in associates and joint ventures	*10*	**5,908,813**	715,393
Computer software and licenses, and leasehold rights	*13*	**201,340**	204,738

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

As at December 31, 2022 and 2021, the Group recognized net deferred tax assets amounting to P1,247.2 million and P882.8 million, respectively.

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

Retirement benefits liability amounted to P1.0 billion and P1.3 billion as at December 31, 2022 and 2021.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards and Frameworks
The Group adopted the following relevant amendments to standards and frameworks starting January 1, 2022 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements .

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

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

▪ *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality*

Judgements). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

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

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

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

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

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

Effective January 1, 2024

▪ *Lease Liability in a Sale and Leaseback (Amendments to PFRS 16 Leases).* The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8 Accounting

Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- *Classification of Liabilities as Current or Non-current – 2020 amendments and Non-Current Liabilities with Covenants – 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

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

  The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 Consolidated Financial Statements and PAS 28 Investments in Associates and Joint Ventures).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the Financial Reporting Standards Council decided to postpone the effective date of these amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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.

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.

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.

Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and the President, collectively as the Group's chief operating decision maker. The Group assessed that its retailing business as a whole represents a single segment.

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

Financial Instruments

Financial Assets

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

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

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

- The Group's business model for managing the financial assets

- The contractual cash flow characteristics of the financial asset

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2022 and 2021, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

The Group's investments in equity securities and government securities are included under this category (see Note 10).

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

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

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

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

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

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

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

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

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

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

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

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

<u>Fair Value Measurements</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or

liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

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

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

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

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

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

Inventories

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

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

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

Investment in Joint Arrangements and Associates

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

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

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

Property and Equipment

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

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

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

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

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

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

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale

(or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.
The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

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

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

	Number of Years
Land improvements	25
Buildings	10 - 50

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

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

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

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

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

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

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

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

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

Intangible Assets
Goodwill and Impairment of Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition. It is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Group at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of associates and joint ventures is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less amortization and any impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives of 10 to 15 years for computer software and licenses and 20 years for leasehold rights, and tested for impairment whenever there is an indication that they may be impaired. The amortization period and method is reviewed at each financial year-end.

Impairment of Non-current Assets Other than Goodwill

The Group assesses whether there is any indication that the property and equipment, right-of-use assets, investments, and intangible assets with finite lives may be impaired. The Group performs impairment testing where there are indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in the Group's profit or loss.

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

Deferred Oil and Mineral Exploration Costs

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

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

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

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

Employee Benefits

Short-term Employee Benefits

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

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

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

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

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

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

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

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. Additional paid-in capital also includes excess of book value of the net assets acquired over the consideration paid for acquired entity.

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

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

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

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

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

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

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

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

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

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

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

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

Contract Balances

Receivables

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

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

Contract Liabilities

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

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

<u>Cost and Expense Recognition</u>

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

Vendor Rebates and Allowances

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

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

Operating Expenses

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

Leases

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

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

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

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

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

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

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

As a Lessee

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

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

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

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

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

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

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

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

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

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

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

As a Lessor
When the Group act as a lessor, it determines at lease commencement whether

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. Outstanding monetary assets

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

(In thousands)	*Note*	**2022**	2021
Cash on hand		**P1,714,771**	P574,227
Cash in banks	*31*	**29,607,417**	23,962,535
Money market placements	*31*	**28,360,077**	39,323,445
		P59,682,265	P63,860,207

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

Money market placements are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing money market placement rates ranging from 0.2% to 7.0% in 2022 0.3% to 3.1% in 2021, and 0.8% to 3.4% in 2020.

Interest income earned from cash in banks and money market placements amounted to P867.82 million, P494.6 million and P696.1 million in 2022, 2021 and 2020, respectively.

5. Receivables

This account consists of:

(In thousands)	*Note*	**2022**	2021
Trade receivables		**P4,373,043**	P3,163,118
Non-trade receivables		**1,290,302**	879,481
Interest receivable	*25*	**670,706**	621,488
Others		**142,748**	160,966
		6,476,799	4,825,053
Less allowance for impairment losses on trade receivables		**113,224**	89,269
	31, 32	**P 6,363,575**	P4,735,784

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

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

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

(In thousands)	*Note*	**2022**	2021
Beginning balance		**P89,269**	P113,636
Provisions during the year	*23*	**14,192**	39,736
Adjustment		**9,763**	-
Reversal		**-**	(64,103)
Ending balance		**P113,224**	P89,269

6. Inventories

This account consists of groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, wines and liquors, etc.) held for sale in the ordinary course of business on wholesale or retail basis.

The Group's merchandise inventories at cost amounted to P34.7 billion and P25.4 billion as at December 31, 2022 and 2021, respectively.

Inventories charged to cost of goods sold amounted to P158.4 billion, P140.2 billion and P144.4 billion in 2022, 2021 and 2020, respectively (see Note 20).

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Note	**2022**	2021
Held-for-trading:	*31*		
Equity securities		**P31,285**	P30,726
Government securities		**4,268,095**	-
		P4,299,380	P30,726

The movements in these securities are as follows:

(In thousands)	*Note*	**2022**	2021
Cost		**P15,357**	P2,399,217
Addition		**4,268,976**	-
Disposal		**-**	(2,383,860)
		4,284,333	15,357
Valuation Adjustments			
Balance at beginning of year		**15,371**	12,158
Unrealized valuation loss for the year		**(324)**	3,211
Balance at end of year		**15,047**	15,369
	31	**P4,299,380**	P30,726

The Group recognized a loss on sale of government securities amounting to P5.3 million in 2021.

Interest income on government securities amounted to P115.2 million, P15.6 million and 2.5 million in 2022, 2021 and 2020, respectively.

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

(In thousands)	***Note***	**2022**	2021
Investment in common shares			
Quoted	*31, 32*	**P4,883**	P5,713
Unquoted	*31, 32*	**2,304**	2,304
		7,187	8,017
Investment in preferred shares	*31, 32*	**7,262**	7,262
		14,449	15,279
Less current portion		**6,570**	6,784
Non-current portion		**P7,879**	P8,495

The quoted shares are designated as FVOCI.

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

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

The movements in this account are as follows:

(In thousands)	**2022**	2021
Balance at beginning of year	**P15,279**	P16,860
Unrealized fair value gains (losses)	**(213)**	(1,581)
Balance at end of year	**P15,066**	P15,279

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

(In thousands)	**2022**	2021
Balance at beginning of year	**P3,177**	P4,758
Unrealized fair value gain (loss) during the year	**(213)**	(1,581)
Balance at end of year	**P2,964**	P3,177

9. Prepaid Expenses and Other Current Assets

This account consists of:

(In thousands)	**2022**	2021
Advances to suppliers	**P3,278,436**	P102,657
Prepaid expenses	**1,189,062**	940,610
Deferred input VAT - current	**210,115**	398,466
Input VAT	**205,265**	170,274
Creditable withholding tax	**20,171**	20,752
Others	**19,860**	15,340
	P4,922,909	P1,648,099

Advances to suppliers will be applied against future purchases of inventory items.

Prepaid expenses consist of the following:

(In thousands)	**2022**	2021

Taxes and licenses	**P915,324**	P640,341
Insurance	**140,881**	142,336
Advertising and promotion	**65,623**	67,442
Supplies	**8,957**	43,119
Repairs and maintenance	**1,779**	4,313
Rent	**1,107**	59
Others	**55,391**	43,000
	P1,189,062	P940,610

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

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

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

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

10. Investment in Associates and Joint Venture

This account consists of:

(In thousands)	**2022**	2021
Associates	**P535,316**	P539,997
Joint ventures	**5,373,497**	175,396
	P5,908,813	P715,393

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

	Percentage of Ownership		**Carrying Amount**	
(In thousands)	**2022**	2021	**2022**	2021
Associates:				
San Roque Supermarkets Retail Systems, Inc. ("SRS")	**49**	49	**446,277**	461,153
Pernord Ricard Philippines, Inc. ("PERNOD")	**30**	30	**89,039**	78,844
			P535,316	P539,997
Joint venture:				
Bodegas	**50**	-	**P5,157,889**	P -
Others	**50**		**215,608**	175,396
			P5,373,497	P175,396

All associates and joint ventures are incorporated in the Philippines.

Investments in Associates

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

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

	2022	2021
Balance at beginning of the year	**P461,152,697**	P461,152,697
Share in net loss	**(14,875,825)**	-
Balance at end of year	**P446,276,872**	P461,152,697

The information presented below summarizes the financial information of San Roque and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment.

	2022	2021*
Percentage of ownership	**49.34%**	49.34%
Current assets	**P588,231,947**	P824,252,714
Noncurrent assets	**788,394,248**	773,700,796
Current liabilities	**(515,403,272)**	(643,647,604)
Noncurrent liabilities	**(555,578,813)**	(615,854,604)
Net assets	**305,644,110**	338,451,302
Group's share in net assets	**150,804,804**	166,991,872
Goodwill	**276,058,136**	276,058,136
Unrecognized share in net loss during the year	**-**	5,307,278
Unrecognized share in net loss in prior years	**19,413,932**	12,795,411
Carrying amount of interest in associate	**P446,276,872**	P461,152,697
Net sales	**P3,778,025,380**	P4,655,176,247
Net loss	**(30,149,625)**	(10,756,543)
Group's share in net loss	**(P14,875,825)**	(P5,307,278)

**Unrecognized prior period adjustments based on unaudited amounts*

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.

Investment in Joint Ventures

BODEGAS
In September 2022, the Group through The Keepers Holdings, Inc. acquired a total of 646,775 shares representing 50% equity interest in Bodegas Williams Humbert SA ("Bodegas") for a total consideration of EUR 88.75 million.

Bodegas,is a Spanish company with over 140 years of history producing alcoholic beverages and the producer of "Alfonso," the number one imported brandy in the Philippines and which accounts for about 60% of the sales revenue of the Group's liquor distribution segment.

The following table summarizes the financial information of Bodegas, adjusted for fair value adjustments at acquisition and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment as at December 31, 2022:

	2022
Balance at beginning of year	**P -**
Acquisition of investment	**5,062,513**
Share in net income	**101,092**
Depreciation of excess fair value	**(7,398)**
Foreign currency translation adjustment	**1,683**
Balance at end of year	**P5,157,889**

	2022
Percentage ownership interest	**50%**
Current assets (including cash and cash equivalents of P34,613)	**P7,147,957**
Noncurrent assets	**2,120,734**
Current liabilities (including current financial liabilities, excluding trade and other payables and provisions of P437,868)	**3,799,421**
Noncurrent liabilities including non-current financial liabilities, excluding trade and other payables and provisions of P349,865)	**359,972**
Net assets	**5,109,298**
TKHI's share of net assets	**2,554,649**
Goodwill	**1,984,514**
Fair value adjustment	**617,709**
Translation adjustment	**1,683**
Foreign exchange differences	**(666)**
Carrying amount of investment in joint venture	**P5,157,889**

The following table shows the Group's share in net loss of investee for the three-month period ended December 31, 2022:

	2022
Revenue	**P3,524,450**
Depreciation	**(39,014)**
Interest income	**9**
Interest expense	**(1,053)**
Income tax expense	**(85,514)**
Net income	**P202,183**
The Group's share in net income at 50%	**P101,092**
Depreciation of excess fair value at 50%	**(7,398)**
	P93,694

OTHERS

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.

Pure Commerce, Inc.
In 2022, the Group through Entenso partnered with 917Ventures Inc., to incorporate a new company, Pure Commerce, Inc. (Pure Commerce). This is the joint venture vehicle for the operation of an online grocery and e-commerce platform.

The Group and its partner each initially invested P62.5 million or acquired 50% interest in Pure Commerce by subscribing to 62,500,000 common shares at P1.0 par value.

11. Property and Equipment

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

(In thousands)	***Note***	**Land**	**Buildings**	**Storage Tanks**	**Furniture and Fixtures**	**Office and Store Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Wells, Platforms and Other Facilities**	**Construction in-Progress**	**Total**
Cost											
December 31, 2020		P4,467,513	P10,045,988	P513,884	P3,601,497	P10,984,511	P294,877	P14,296,334	P204,955	P1,339,580	P45,749,140
Additions		445,542	156,913	3,964	204,057	845,792	26,568	851,670	-	1,344,729	3,879,235
Reclassifications		1,999,844	71,329	-	39,068	563,264	(1,901)	1,290,289	-	(1,963,974)	1,997,919
Transfer from investment properties		-	-	-	-	-	-	-	-	-	-
Disposals		(684)	(8,051)	-	(11,996)	(59,581)	(17,573)	(31,603)	-	-	(129,488)
December 31, 2021		6,912,215	10,266,179	517,848	3,832,626	12,333,986	301,971	16,406,691	204,955	720,335	51,496,806
Additions		1,441,752	212,288	8,957	213,041	697,442	42,188	344,678	-	2,388,360	5,348,706
Disposals		-	-	-	(1,775)	(20,883)	(2,298)	(14,334)	-	-	(39,290)
Reclassifications		41,189	374,055	-	12,035	222,060	8,704	311,515	-	(928,219)	43,251
Transfer	*1*	4,000,000	-	-	219,460	143,357	-	907,108	-	-	5,269,925
December 31, 2022		**12,395,156**	**10,852,522**	**526,805**	**4,275,387**	**13,375,962**	**350,565**	**17,955,658**	**-**	**2,180,476**	**62,117,486**
Accumulated Depreciation and Amortization											
December 31, 2020		-	2,785,051	78,828	2,098,498	7,950,549	239,631	3,707,648	204,955	-	17,065,161
Depreciation and amortization		-	293,529	11,063	283,688	1,156,229	22,988	947,742	-	-	2,715,238
Disposals		-	(1,879)	-	(8,914)	(56,237)	(15,827)	(18,833)	-	-	(101,690)
Reclassifications		-	5,249	-	(765)	184	-	(4,692)	-	-	(24)
December 31, 2021		-	3,081,950	89,891	2,372,507	9,050,725	246,792	4,631,865	204,955	-	19,678,685
Depreciation and amortization		-	313,326	13,457	222,173	1,020,406	16,707	865,370	-	-	2,451,357
Disposals		-	-	-	(1,760)	(20,836)	(2,354)	(11,689)	-	-	(36,639)
Reclassifications		-	1,028	-	(1,213)	(6,260)	-	5,186	-	-	(1,259)
Transfer	*1* -		-	-	219,443	143,335	-	644,005	-	-	1,006,783
December 31, 2022		**-**	**3,396,304**	**103,348**	**2,811,150**	**10,187,370**	**261,145**	**6,134,737**	**-**	**-**	**23,099,009**
Allowance for Impairment Loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying Amounts											
December 31, 2021		P6,912,215	P7,184,229	P427,957	P1,460,119	P3,283,261	P55,179	P11,774,826	P -	P720,336	P31,818,121
December 31, 2022		**P12,395,156**	**P7,456,218**	**P423,457**	**P1,464,237**	**P3,188,592**	**P89,420**	**P11,820,921**	**P -**	**P2,180,476**	**P39,018,477**

Interest expense on loans capitalized as part of property and equipment amounted to P10.9 million, P17.0 million and P2.9 million in 2022, 2021 and 2020, respectively (see Note 17).

The Group recognized an impairment loss on platforms/wells related to the oil and mineral projects that have no significant progress to date amounting to P160 million in 2020.

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P8.3 billion and P5.6 billion as at December 31, 2022 and 2021, respectively.

12. Investment Properties

This account consists of:

(In thousands)	**Land**	**Building**	**Construction in-Progress**	**Total**
Cost				
December 31, 2020	P6,560,644	P5,775,399	P118,860	P12,454,903
Additions	264,723	89,892	112,932	467,547
Reclassifications	-	-	(143)	(143)
Transfer to property and equipment	(1,999,844)	-	-	(1,999,844)
December 31, 2021	4,825,523	5,865,291	231,649	10,922,463
Additions	207,659	43,478	91,192	342,329
Reclassifications	(98,420)	135,077	(153,834)	(117,177)
December 31, 2022	**4,934,762**	**6,043,846**	**169,007**	**11,147,615**
Accumulated Depreciation				
December 31, 2020	-	1,309,510	-	1,309,510
Depreciation	-	124,985	-	124,985
December 31, 2021	-	1,434,495	-	1,434,495
Depreciation	-	129,072	-	129,072
December 31, 2022	**-**	**1,563,567**	**-**	**1,563,567**
Carrying Amounts				
December 31, 2020	P4,825,523	P4,430,796	P231,649	P9,487,968
December 31, 2022	**P4,934,762**	**P4,480,279**	**P169,007**	**P9,584,048**

Depreciation expense is charged to cost of rent (see Note 20). Reclassifications pertain to cost of investment properties that are transferred to property and equipment during the consolidation process. Total reclassifications amounted to P117,2 million and P0.14 million in 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the fair value of the investment properties amounted to P38.0 billion based on independent appraisals obtained in 2019. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively, which is categorized as Level 3 under the fair value hierarchy.

The rental income earned by the real estate and property leasing segment of the Group from these properties amounted to P0.88 billion, P0.82 billion and P1.1 billion in 2022, 2021 and 2020, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P727.5 million, P621.4 billion and P610.9 million in 2022, 2021, and 2020, respectively (see Note 20).

13. Goodwill and Other Intangibles

This account consists of:

(In thousands)	**2022**	**2022**
Goodwill	**P16,253,526**	P16,253,526
Trademark	**3,709,661**	3,709,661
Customer relationships	**889,453**	889,453
Leasehold rights - net	**41,318**	159,572
Computer software and licenses - net	**160,023**	45,166
	P21,053,981	P21,057,378

Goodwill

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

(In thousands)	**2022**	**2022**
Retail		
Kareila	**P12,079,474**	P12,079,474
Budgetlane Supermarkets	**837,974**	837,974
Gant	**742,341**	742,341
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	**685,904**	685,904
Company E	**358,152**	358,152
Black & White (B&W) Supermart	**187,204**	187,204
Puregold Junior Supermarket, Inc. (PJSI)	**11,374**	11,374
Specialty Retail		
OWI	**893,790**	893,790
CHC	**9**	9
Real Estate and Property Leasing		
NPSCC	**457,304**	457,304
	P16,253,526	P16,253,526

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

The Company believes that there is currently no foreseeable limit to the period over which the trademarks and customer relationships are expected to generate net cash inflows, and therefore they are assessed to have an indefinite useful life.

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

VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 10.6% and 11.11% in 2022 and 6.6% to 8.7% in 2021. 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 5.0% and 6.0% for the CGUs. The average operating margins applied in the projected periods ranged between 2.0% and 6.0% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period is 5.4% for the CGUs.

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

	Pre-tax Discount Rate		**Growth Rate (Terminal Value)**	
	2022	2021	**2022**	2021
Kareila	**11.1%**	6.6%	**5.4%**	3.6%
Budgetlane Supermarkets	**11.1%**	6.6%	**5.4%**	3.6%
Gant	**11.1%**	6.6%	**5.4%**	3.6%
DCI and FLSTCI	**11.1%**	6.6%	**5.4%**	3.6%
OWI	**11.1%**	8.9%	**5.4%**	3.0%
NPSCC	**11.1%**	9.3%	**5.4%**	3.0%

As at December 31, 2021, management assessed that a reasonably possible change in key assumptions of B&W Supermart and NPSCC would result in the headroom being reduced to nil if either of the following change occurs:

	B&W Supermart	**NPSCC**
Increase in discount rate	**0.3%**	**4.0%**
Decrease in revenue growth rate	**1.0%**	**1.0%**

Computer Software and Licenses

The movements in computer software and licenses are as follows:

(In thousands)	**2022**	2021
Cost		
Balance at January 1	**P485,432**	P453,812
Additions	**48,476**	32,666
Adjustments	**(113)**	(1,046)
Balance at December 31	**533,795**	485,432
Accumulated Amortization		
Balance at January 1	**325,860**	278,823
Amortization	**47,952**	47,691
Adjustment	**(40)**	(654)
Balance at December 31	**373,772**	325,860
Carrying Amount at December 31	**P160,023**	P159,572

Leasehold Rights

The movements in leasehold rights are as follows:

	2022	2021
Cost		
Balance at January 1	**P75,355**	P75,355
Additions	**-**	-
	75,355	P75,355
Accumulated Amortization		
Balance at January 1	**30,189**	28,009
Amortization	**3,848**	2,180
Balance at December 31	**34,037**	30,189
Carrying Amount at December 31	**P41,318**	P45,166

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

Amortization of computer software licenses and leasehold rights are both charged under cost of revenue.

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

(In thousands)	***Note***	**Participating Interest**	**2022**	2021
I. Oil Exploration Costs:				
SC 14	*a*			
Block C2 (West Linapacan)		6.12%	**P56,278**	P56,044
Block D		5.84%	**8,113**	8,113
Block B1 (North Matinloc)		13.55%	**4,192**	4,192
			68,583	68,349
SC 6A	*b*	1.67%		
Octon Block			**17,596**	17,596
North Block			**600**	600
SC 6B (Bonita)	*c*	8.18%	**8,027**	8,027
			26,223	26,223
MPSA	*d*		**32,817**	32,817
Other oil projects			**528**	527
			33,345	33,344
			128,151	127,916
Allowance for impairment loss			**(127,471)**	(127,471)
Balance at end of year			**680**	445
II. Mineral Exploration Costs:				
Nickel project		100.00%	**19,208**	19,208
Anoling gold project		3.00%	**13,817**	13,817
Gold projects		100.00%	**13,036**	13,036
Cement project		100.00%	**19,570**	15,312
Other mineral projects			**382**	382
			66,013	61,755
Accumulated for impairment losses			**(56,046)**	(56,046)
Balance at end of year			**9,967**	5,709
III. Other Deferred Charges			**619**	619
Allowance for impairment loss			**(619)**	(619)
Balance at year end			**-**	-
			P10,647	P6,154

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

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

As at December 31, 2022 and 2021, management assessed that the deferred oil and mineral exploration costs are impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects. Accordingly, the Group recognized a full impairment loss of P127.4 million in 2022 and 2021.

a. SC 14 C2 - West Linapacan

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

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

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

The finalization and execution of DOAs, however, has been greatly delayed by the COVID 19 situation and the Community Quarantines' restrictions since mid-March 2020.

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

On July 1, 2021, the SPA and FOA were terminated. A two-phased technical evaluation of West Linapacan B was undertaken during the last quarter of 2021. Phase 1 was carried out to constrain the uncertainties surrounding the West Linapacan B reservoir properties to determine probabilistic range of resources. The Phase 2 of the study involves formulating an appraisal/conceptual development strategy and economic analysis of resource and development scenarios.

The 2022 Work Program and Budget has been submitted with component for the technical studies that will be undertaken to continue to assess and fully understand the feasibility for the joint development of West Linapacan A & B and the administrative management of the SC.

Also in 2022 the outstanding SC 14C2 Training Fund balance was settled with DOE.

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

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

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

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

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

In 2021, additional deferred charges amounting to P0.015 million were capitalized.

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

c. SC 6B (Bonita) - Offshore Nortwest Palawan, Philippines

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

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

In 2022, Nido Petroleum and Minerals Corporation submitted their farming proposal for the JVP to review. Under the proposal, they will increase their participating interest and take over the operatorship of the block.

d. MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte

The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

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

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

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

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

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

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

Currently, the Group is in the process of fulfilling its obligations in relation to the renewed exploration permit.

For the years ended December 31, 2021, 2020 and 2019, the Group paid occupation fee amounting to P0.01 million P0.2 million and P0.1 million respectively. For the year ended December 31, 2021, the Group paid the amount of P0.6 million for mapping activities.

In 2022, Integrated Safety, Health, Environmental and Social (ISHES) monitoring/inspection at the area, located within the municipalities of Merida and Leyte was once again conducted.

The renewal of the Mineral Production sharing Agreement No 066-97-VIII (MPSA 066-97-VIII) for another 25 years was approved on June 14, 2022 subject to certain conditions.

15. Other Noncurrent Assets

This account consists of:

(In thousands)	***Note***	**2022**	2021
Security deposits	*31, 32*	**P2,494,764**	P2,299,378
Accrued rent income		**234,243**	627,803
Advances to contractors		**397,317**	375,610
Deferred input VAT - net of current portion		**131,600**	141,295
Prepaid rent		**3,562**	3,298
Others		**40,991**	36,776
		P3,302,477	P3,484,160

Security deposits consist of payments for leases that are refundable at the end of the lease term.

Advances to contractors pertain to payments made in advance for the construction of new stores and buildings.

Accrued rent income pertains to excess of rent income determined using the straight-line basis for financial reporting purposes over the rent income pursuant to terms of lease agreement.

16. Accounts Payable and Accrued Expenses

This account consists of:

(In thousands)	***Note***	**2022**	2021
Trade payables	*25*	**P19,117,045**	P10,843,562
Non-trade payables		**2,415,266**	1,933,265
Dividends payable	*28*	**2,668,718**	1,632,976
Due to government agencies		**849,338**	615,615
Retention payable		**73**	5,029
Construction bonds		**22,951**	22,191
Advance rentals		**39,869**	20,850
Accrued expenses:			
Manpower agency services		**1,013,321**	864,688
Utilities		**334,590**	299,806
Rent		**168,040**	99,043
Fixed asset	*21*	**404,469**	-
Others		**842,418**	535,361
		P28,258,714	P16,872,386

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

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods.

The accrued expenses for fixed assets include the remaining obligations for the purchase of a parcel of land amounting to P288.4 million. The total remaining obligation is P1.1 billion as at December 31, 2022 and payable until 2027. The noncurrent portion amounting to P832.9 million is included in the "Noncurrent liabilities" account in the consolidated statements of financial position.

17. Loans Payable

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

a. Short-term Loans

Details of short-term loans follow:

(In thousands)	**2022**	2021
Balance at beginning of year	**P48,000**	P42,000
Availments	**130,000**	48,000
Repayments	**(30,000)**	(42,000)
Balance at end of year	**P148,000**	P48,000

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

Segment	Purpose(s)	Interests	**2022**	2021
Liquor distribution	a. Inventory financing	3.75%	**P130,000**	P -
Real estate	b. Capital expenditure	3.0%	**18,000**	48,000
			P148,000	P48,000

b. <u>Long-term Loans</u>

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

(In thousands)	**2022**	2021
Fixed-rate peso-denominated PPCI	**P11,760,000**	P11,880,000
Unamortized debt issuance costs	**(94,207)**	(109,542)
	11,665,793	11,770,458
Less current portion	**120,000**	120,000
	P11,545,793	P11,650,458

a. *PPCI*

On September 30, 2020, the Parent Company raised P12.0 billion from the issuance of fixed-rate corporate notes for its store network expansion. This consists of P7-billion notes that have a seven-year tenor and P5-billion notes that have a 10-year tenor with interest rate of 4.0% and 4.5%, respectively. The notes are payable annually at 1.0% of the original amount or P120.0 million and the remainder payable upon maturity.

The notes are subject to certain affirmative and negative covenants such as those relating to merger and consolidation, declaration of dividends and maintenance of financial ratios of at least 1.0x current ratio and not more than 2.5x debt-to-equity ratio, among others. The Parent Company is compliant with the loan covenants as at December 31, 2022 and 2021.

The current portion in prior year amounting to P120.0 million was reclassified from noncurrent to conform to the current year presentation.

Total interest expense charged to profit or loss amounted to P527.2 million, P697.4 million and P439.9 million in 2022, 2021 and 2020, respectively.

Interest expense on loans capitalized as part of property and equipment amounted to P10.9 million, P17.0 million and P2.9 million in 2022, 2021 and 2020, respectively (see Note 11).

The movements in debt issuance costs are as follows

	2022	2021
Balance at beginning of the year	**P109,542**	P130,300
Additions	**-**	-
Amortizations	**(15,335)**	(20,758)
Balance at end of the year	**P94,207**	P109,542

Changes in Liabilities Arising from Financing Activities:

The movements and balances of this account are as follows:

	Short Term Loans Payable	**Long Term Loans Payable**	**Dividend Payable** (Notes 16 and 28)	**Lease Liabilities** (Note 21)	**Total**
Balance at January 1, 2022	**P48,000**	**P11,770,458**	**P1,632,976**	**P31,494,851**	**P44,946,285**
Changes from financing cash flows:					
Payment of loans	**(30,000)**	**(120,000)**	**-**	**-**	**(150,000)**
Availment of loans	**130,000**	**-**	**-**	**-**	**130,000**
Payment of debt issuance cost	**-**	**-**	**-**	**-**	
Lease payments	**-**	**-**	**-**	**(3,350,434)**	**(3,350,434)**
Payment of dividends	**-**	**-**	**(1,632,076)**	**-**	**(1,632,076)**
Total changes from financing cash flows	**100,000**	**(120,000)**	**(1,632,076)**	**(3,350,434)**	**(5,002,510)**
Other Changes					
Liability-related					
Additions	**-**	**-**	**-**	**6,008,286**	**6,008,286**
Amortization of debt issuance cost	**-**	**15,335**	**-**	**-**	**15,335**
Other lease adjustments	**-**	**-**	**-**	**1,773,267**	**1,773,267**
Declaration of dividends	**-**	**-**	**2,668,718**	**-**	**2,668,718**
Total liability-related changes	**-**	**15,335**	**2,668,718**	**7,781,553**	**10,465,606**
Balance at December 31, 2022	**P148,000**	**P11,665,793**	**P2,668,718**	**P35,926,028**	**P50,409,381**

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 16 and 28)	Lease Liabilities (Note 21)	Total
Balance at January 1, 2021	P42,000	P16,569,700	P2,180,396	P -	P18,792,096
Changes from financing cash flows:					-
Payment of loans	(42,000)	(4,820,000)	-	-	(4,862,000)
Availment of loans	48,000	-	-	-	48,000
Payment of debt issuance cost	-	-	-	-	-
Lease payments	-	-	-	(3,275,952)	(3,275,952)
Payment of dividends	-	-	(2,180,396)		(2,180,396)
Total changes from financing cash flows	6,000	(4,820,000)	(2,180,396)	(3,275,952)	(10,270,348)
Other Changes					
Liability-related					
Additions	-	-	-	-	-
Amortization of debt issuance cost	-	20,758	-	-	20,758
Other lease adjustments	-	-	-	(785,124)	(785,124)
Declaration of dividends	-	-	1,632,976	-	1,632,976
Total liability-related changes	-	20,758	1,632,976	(785,124)	868,610
Balance at December 31, 2021	P48,000	P11,770,458	P1,632,976	(P4,061,076)	P9,390,358

18. Other Current Liabilities

This account as at December 31 consists of:

(In thousands)	***Note***	**2022**	2021
Customers' deposits	*21, 31, 32*	**P368,411**	P354,402
Promotional discount		**215,824**	10,024
Unredeemed gift certificates		**189,893**	204,842
Output VAT		**5,896**	192,310
Others	*31, 32*	**63,741**	15,289
		P843,765	P776,867

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

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

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2022 and 2021. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the rollforward of contract liabilities:

(In thousands)	**2022**	2021
Beginning balance	**P204,842**	P210,388
Add receipts	**382,654**	578,632
Less sales recognized	**(397,603)**	(584,178)
Ending balance	**P189,893**	P204,842

19. Revenues

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

(In thousands)	**2022**	2021	2020
Revenue from Contracts with Customers			
Revenues			
Grocery	**P184,302,945**	P164,124,835	P168,632,329
Wine and liquor	**10,165,497**	7,953,736	5,949,178
Office and technology supplies	**1,785,725**	1,553,080	1,669,050
	196,254,167	173,631,651	176,250,557
Other Revenue			
Concession fee income	**1,743,522**	2,030,609	2,095,904
Membership income	**670,476**	617,841	628,621
Commission income	**-**	-	25,655
Miscellaneous	**270,547**	203,632	133,673
	2,684,545	2,852,082	2,883,853
Lease revenue			
Revenues			
Real estate and property leasing	**882,597**	822,122	1,065,742
Other Revenue	**-**		
Retail (*Other revenue*)	**502,543**	326,467	277,002
	1,385,140	1,148,589	1,342,744
	P200,323,852	P177,632,322	P180,477,154

20. Cost of Revenues

Cost of goods sold consists of:

(In thousands)	**2022**	2021	2020
Beginning inventory	**P25,390,956**	P24,918,237	P24,722,271
Purchases	**167,783,975**	140,673,437	144,606,164
Total goods available for sale	**193,174,931**	165,591,674	169,328,435
Ending inventory	**34,697,639**	25,390,956	24,918,237
	P158,477,292	P140,200,718	P144,410,198

Cost of rent consists of:

(In thousands)	**2022**	2021	2020
Depreciation	**P255,226**	P246,825	P245,386
Taxes and licenses	**85,121**	89,540	92,353
Security services	**82,641**	78,769	82,257
Utilities	**82,471**	16,842	16,140
Repairs and maintenance	**78,098**	63,774	52,933
Janitorial services	**44,690**	43,075	44,980
Management fees	**38,588**	32,019	27,122
Salaries and wages	**27,238**	26,361	21,352
Insurance	**21,694**	16,508	19,018
Others	**11,758**	7,732	9,398
	P727,525	P621,445	P610,939

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)	**2022**	2021
Cost		
Balance at January 1	**P35,225,101**	P33,508,380
Additions	**4,959,056**	2,540,045
Transfer in	**1,538,374**	-
Modifications	**(167,531)**	146,220
Terminations	**(89,465)**	(825,914)
End of lease term	**(274,010)**	(143,630)
Balance at December 31	**41,191,525**	35,225,101
Accumulated Depreciation		
Balance, January 1	**10,818,188**	9,238,127
Depreciation	**1,956,287**	1,734,488
Transfer in	**339,774**	-
Terminations	**(27,585)**	(10,797)
End of lease term	**(274,012)**	(143,630)
Balance, December 31	**12,812,652**	10,818,188
Carrying amount at December 31	**P28,378,873**	P24,406,913

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

(In thousands)	**2022**	2021
Due within one year	**P1,470,464**	P1,223,723
Due beyond one year	**34,455,564**	30,271,128

	P35,926,028	P31,494,851

The movements in lease liabilities are as follows:

(In thousands)	**2022**	2021
January 1	**P31,494,851**	P30,184,370
Additions	**4,494,468**	1,788,247
Transfer in	**1,513,818**	-
Accretion of interest	**2,033,571**	1,825,245
Repayments	**(3,350,434)**	(2,310,122)
Terminations	**(72,013)**	(931,343)
Modifications	**(188,233)**	146,220
December 31	**P35,926,028**	P31,494,851

Shown below is the maturity analysis of the undiscounted lease payments for the years ended December 31:

(In thousands)	**2022**	2021
Less than one year	**P3,756,603**	P3,318,570
One to five years	**14,564,156**	13,982,999
More than five years	**51,816,289**	43,508,179
	P70,137,048	P60,809,748

The following are the amounts recognized in profit or loss:

(In thousands)	**2022**	2021	2020
Variable lease payments not included in the measurement of lease liabilities*	**P656,742**	P556,044	P705,720
Expenses related to leases of low-value assets	**29,538**	30,573	32,078
Expenses related to short-term leases	**8,572**	9,416	12,556
Total rent expense	**694,851**	596,033	750,354
Interest accretion on lease liabilities	**2,033,571**	1,825,245	1,758,234
Depreciation charge for right-of-use assets	**1,964,224**	1,734,488	1,465,990
Gain from lease terminations	**4,593**	89,422	29,811

**This includes the concession fee expense presented as separate line item under "Operating expenses" in the statements of income.*

Low-value assets pertain mainly to credit card terminals, G4s cash solutions technology and office spaces. Total cash outflows for all leases amounted to P3.3 and P3.9 billion in 2022 and 2021.

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 P739.1 million and P709.9 million as at December 31, 2022 and 2021, composed of current and noncurrent portion, broken down as follows:

(In thousands)	***Note***	**2022**	2021
Current	*18*	**P368,411**	P354,402
Noncurrent		**370,725**	355,539
		P739,136	P709,941

Customers' deposits are recognized initially at fair value and subsequently carried at amortized cost. The fair values of customers' deposits are determined using risk-free interest rates. These are amortized on a straight-line basis.

Rent income recognized as part of "Revenues" account in profit or loss amounted to P0.88 billion, P0.82 billion and P1.0 billion in 2022, 2021 and 2020, respectively.

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

(In thousands)	**2022**	2021	2020
Less than one year	**P1,196,342**	P1,219,187	P1,013,399
One to two years	**984,535**	883,432	935,072
Two to three years	**920,940**	828,808	877,255
Three to four years	**745,740**	744,353	787,863
Four to five years	**740,343**	681,602	721,444
More than five years	**6,507,489**	6,650,109	6,974,676
	P11,095,389	P11,007,491	P11,309,709

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

Rent income recognized as part of "Other revenue" account in profit or loss amounted to P501.3 million, P364.5 million and P277.0 million, in 2022, 2021 and 2020, respectively (see Note 22).

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

(In thousands)	**2022**	2021	2020
Less than one year	**P273,377**	P256,658	P252,349
One to two years	**129,561**	143,206	151,804
Two to three years	**90,248**	115,516	107,463
Three to four years	**61,240**	81,185	62,837
Four to five years	**49,217**	60,910	33,676
More than five years	**974,404**	59,454	43,756
	P1,578,047	P716,929	P651,885

22. Other Revenue

This account consists of:

(In thousands)	***Note***	**2022**	2021	2020
Concession fee income		**P1,743,522**	P2,030,609	P2,092,899
Membership income		**670,477**	617,841	628,621
Rent income	*21*	**501,338**	364,546	277,002
Commission income		**-**	50,618	25,655
Miscellaneous		**271,752**	153,014	133,673
		P3,187,089	P3,216,628	P3,157,850

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***	**2022**	2021	2020
Depreciation and amortization	*11, 12, 13, 21*	**P4,315,784**	P4,377,755	P3,950,198
Manpower agency		**3,850,837**	3,596,536	3,616,858
Communication, light and water		**3,212,311**	2,450,788	2,224,581
Salaries and wages		**2,886,260**	2,524,379	2,379,211
Outside services		**1,304,965**	1,335,332	1,220,612
Taxes and licenses		**1,072,741**	1,070,747	1,008,119
Advertising and marketing		**867,960**	763,080	612,438
Store and office supplies		**827,236**	641,570	589,676
Rent	*21, 25*	**770,663**	636,610	750,354
Repairs and maintenance		**722,042**	692,443	601,082
Distribution Costs		**493,564**	491,772	340,066
Credit card charges		**585,388**	479,228	446,493
Transportation		**539,879**	444,424	291,182
Retirement benefits cost	*26*	**291,810**	297,227	234,979
Insurance		**266,323**	248,214	238,576
SSS/Medicare and HDMF contributions		**253,368**	218,560	191,933
Input VAT allocable to exempt sales		**206,970**	203,180	229,374
Fuel and oil		**178,163**	98,448	73,245
Representation and entertainment		**157,375**	158,308	171,304
Impairment losses on receivables	*5*	**14,192**	39,736	64,689
Professional fees		**62,532**	67,154	40,237
Royalty expense	*25*	**61,872**	57,336	61,961
Provision for doubtful accounts		**-**	39,736	-
Impairment loss on property and equipment	*11*	**-**	-	160,037
Others		**637,034**	529,282	650,507
		P23,579,269	P21,461,845	P20,147,712

24. Other Income (Charges)

This account consists of:

(In thousands)	***Note***	**2022**	2021	2020
Share in losses of joint ventures and associate	*10*	**P68,996**	(P13,979)	(P15,313)
Foreign exchange gain (loss)		**(3,128)**	(12,979)	(19,482)
Gain from lease terminations	*21*	**4,593**	89,422	29,811
Bank charges		**(4,048)**	(2,878)	(4,843)
Gain (loss) from insurance claims		**(1,587)**	6,379	513
Unrealized valuation gain (loss) on financial assets	*7*	**(324)**	3,211	(7,407)
Gain from disposal of property and equipment		**570**	784	739
Gain from reversal of provision		**-**	64,103	-
Gain from sale of interest in a subsidiary/joint venture	*10*	**-**	-	-
Gain (loss) from sale of financial assets		**-**	(5,292)	36,230
Miscellaneous		**13,944**	16,051	10,445
		P79,016	P144,826	P30,693

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	Trade Payables	Lease Liabilities	Due to Related Parties	Terms	Conditions
Under Common and Joint Control										
▪ Loans receivable										
Principal	**2022**	*a*	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	Due on September 30, 2021; interest bearing	Unsecured; Unimpaired
Interest	**2022**		**-**	**670,706**	**-**	**-**	**-**	**-**		
Principal	2021		5,524,543	-	-	-	-	-	Due on September 30, 2020; interest bearing	Unsecured; Unimpaired
Interest	2021		42,207	621,488	-	-	-	-		
▪ Advances for working capital requirements	**2022**	*b*	**-**	**-**	**-**	**-**	**-**	**363,146**	Due and demandable; non-interest bearing	Unsecured; Unimpaired
▪ Advances from stockholder	**2022**	*c*	**-**	**-**	**-**	**-**	**-**	**4,000,000**	Due and demandable	Unsecured
▪ Purchase of (advances for) inventories	**2022**		**3,195,368**	**-**	**-**	**2,493,455**	**-**	**-**	Due and demandable	Unsecured
	2021		**-**	-	-	-	-	-		
▪ Management fees	**2022**	*d*	**-**	**-**	**-**	-	**-**	**-**	Due and demandable; non-interest bearing	Unsecured
	2021		32,018	-	-	**-**	-	-		
▪ Rent income	**2022**	*e*	**-**	**-**	**-**	-	**-**	**-**	Due and demandable; non-interest bearing	Unsecured
	2021		121,603	-	-	**-**	-	-		
▪ Rent payments	**2022**	*f*	**-**	**-**	**-**	-	**-**	**-**	Due and demandable; non-interest bearing	Unsecured
	2021		745,811	-	-		1,076,496			
Associates						**-**				
▪ Concession fee expense	**2022**		**-**	**-**	**-**	-	**-**	**-**	Due and demandable; non-interest bearing	Unsecured
	2021		245,531	-	-		-	-		
	2021									
▪ Advances for working capital Requirements	**2022**		**10,482**	**-**	**60,502**	**-**	**-**	**293,525**	Due and demandable; non-interest bearing	Unsecured Unimpaired
	2021		214,066	-	60,340	-	-	283,205		
Acquisition of investment	**2022**	***h***	**3,017,678**	**-**	**-**	**-**	**-**	**730,000**		
▪ Royalty expense	**2022**	*g*	61,872	-	-	-	-	**49,498**	Due and demandable; non-interest bearing	Unsecured
	2021		57,336	-	-	-	-	45,868		
Key Management Personnel										
▪ Short-term benefits	**2022**		**44,947**	**-**	**-**	**-**	**-**	**-**		
	2021		45,657	-	-	-	-	-		
Total	**2022**			**P670,706**	**P60,502**	**P2,493,455**	**P -**	**P5,436,169**		
Total	2021			P621,488	P60,340	**P -**	P1,076,496	P692,219		

a. Loans Receivable

In 2019, the Group through CHC granted loans Union Energy Corporation and League One, Inc., entities under common control, which are payable on September 30, 2020. The loans bear interest based on prevailing market rates agreed with the borrowers on a quarterly basis. Interest rates range from 2.0% to 4.8%. The loan to Union Energy Corporation was fully paid on December 29, 2020 while loan to League One, Inc. was rolled over for another year at market interest rate and paid on June 17, 2021.

b. Money Market Placements

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

c. Advances from a Stockholder

This amount pertains to the advances from a stockholder to PSMT which were used for the acquisition of three (3) parcels of land located in Brgy. Tambo, Paranaque City with an aggregate area of 10,913.59 square meters.

The amount outstanding is non-interest bearing, payable on demand and will be settled in cash.

d. Management Agreement

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

e. Lease Agreement - As a Lessor

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

f. Lease Agreement - As a Lessee

The Group entered into lease agreements mainly for stores and warehouses with various entities under common control. Lease terms range from 3 to 25 years and renewable under such terms and conditions that shall be agreed upon by the parties.

g. License Agreement

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

h. Acquisition of investment

In September 2022, the Group through The Keepers Holdings, Inc. acquired a total of 646,775 shares representing 50% equity interest in Bodegas Williams Humbert SA ("Bodegas") for a total consideration of EUR 88.75 million. Remaining unpaid portion of the consideration amounted to P730.0 million.

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

Related Party Transactions and Balances Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation in 2022 and 2021 are as follows:

a Advances and trade receivables from the Parent Company to its subsidiaries

(In thousands)	**Outstanding Balance**
2022	**P5,164,451**
2021	5,164,451

These advances are unsecured and with various terms. These are payable in cash. Interest income from these advances amounted to P88.8 million in 2021.

b Receivables from subsidiaries to their fellow subsidiaries

(In thousands)	**Outstanding Balance**
2022	P960,342
2021	2,482,122

These advances are unsecured and with various terms. These are payable in cash.

c Sale of goods of the subsidiaries within the Group

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2022	**P3,791,695**	**P830,975**
2021	3,083,452	761,104

Receivables from sale of goods are non-interest bearing are generally on a 30-day credit terms.

d Sale of services of the subsidiaries within the Group

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2022	**P933,319**	**P82,325**
2021	874,091	51,524

Receivables from sale of services are unsecured, non-interest bearing are generally on a 30-day credit terms.

e Dividend income received by the Parent Company from dividends declared by its subsidiaries

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2022	**P1,820,846**	**P2,345,400**

2021	2,235,887	1,499,988

Cash dividends are due on payment date.

f Dividend income received by a subsidiary from dividends declared by the Parent Company

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2022	**P46,404**	**P46,404**
2021	29,307	29,307

Cash dividends are due on payment date.

g Right-of-use assets, lease liabilities and prepayments eliminated as a result of intra-group lease of properties

Right-of-Use assets

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2022	**P295,821**	**P2,414,754**
2021	125,211	2,208,947

Lease liabilities

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2022	**P100,645**	**P4,055,420**
2021	432,701	P4,107,411

h Loan receivable issued by the Parent Company to a subsidiary

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2022	**P -**	**P3,637,500**
2021	412,928	3,637,500

26. Retirement Benefits Cost

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

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

(In thousands)	**2022**	2021
Present value of defined benefits obligation	**P1,087,609**	P1,376,417
Fair value of plan assets	**(29,502)**	(29,873)
	P1,058,107	P1,346,544

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

(In thousands)	**2022**	2021
Balance at beginning of year	**P1,376,417**	P1,461,778
Included in profit or loss:		
Current service cost	**220,431**	239,558
Interest cost	**71,379**	57,669
	291,810	297,227
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	**(469,679)**	(335,117)
Experience adjustments	**(100,587)**	(43,949)
	(570,266)	(379,066)
Benefits paid	**(9,760)**	(4,308)
Effect of business combination	**(592)**	786
Balance at end of year	**P1,087,609**	P1,376,417

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

(In thousands)	**2022**	2021
Balance at beginning of year	**P29,873**	P30,018
Interest income	**1,517**	1,186
Return on plan asset excluding interest	**(1,888)**	(1,331)
Balance at end of year	**P29,502**	P29,873

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

(In thousands)	**2022**	2021
Cash in banks	**P15**	P293
Debt instruments - government bonds	**15,743**	15,827
Trust fees payable	**(8)**	(48)
Other	**13,752**	13,801
	P29,502	P29,873

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

	2022	2021
Discount rate	**7.07% to 7.22%**	5.1% to 10.0%
Future salary increases	**5.0% to 8.0%**	7.0% to 26.9%

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

The weighted average duration of the defined benefit obligation as at December 31, 2022 and 2021 is 17.6 years and 21.5 years, respectively.

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

2022

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**P196,244**	**(P158,310)**
Future salary increase rate (1% movement)	**193,342**	**(159,054)**

2021

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

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

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

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement obligation are paid directly by the Group when they become due.

The 10-year maturity analysis of the benefit payments:

	2022 *(In thousands)*				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**Within 5 - 10 Years**
Defined benefit obligation	**P1,075,308**	**P413,602**	**P73,432**	**P84,378**	**P253,730**

	2021 *(In thousands)*				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,346,544	P342,482	P67,480	P72,075	P202,927

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

The Group does not expect to contribute to the plan in 2022.

Asset-liability Matching (ALM)

The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

The Group has no expected future contribution for 2022.

27. Income Taxes

The provision for income tax consists of:

(In thousands)	**2022**	2021	2020
Current	**P3,911,750**	P3,185,123	P3,185,123
Deferred	**(268,088)**	(193,407)	(193,407)
	P3,643,662	P2,991,716	P2,991,716

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)	**2022**	2021	2020
Income before income tax	**P15,927,061**	P13,503,206	P13,833,533
Income tax expense at the statutory income tax rate:			
Regular - 25% in 2022 and 2021 and 30% in 2020	**P3,941,183**	P3,305,942	P4,061,370
5%	**15,381**	13,972	14,782
Income tax effects of:			
Deduction from gross income due to optional standard deduction	**(205,023)**	(123,108)	(164,980)
Interest income subject to final tax	**(199,531)**	(106,239)	(137,720)
Changes in unrecognized DTA	**32,588**	49,676	33,932
Non-deductible expenses	**21,419**	27,544	(9,424)
Non-deductible interest expense	**35,685**	23,989	35,537
Other income subject to final tax	**(11,601)**	(16,026)	(10,869)
Share in income of associates and joint ventures	**17,263**	3,629	7,450
Non-taxable income	**(3,702)**	(3,699)	(5,848)
Excess of MCIT over RCIT	**-**	-	377
NOLCO utilized	**-**	-	-
Effect of change in tax rate	**-**	(183,964)	-
	P3,643,662	P2,991,716	P3,824,607

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

Net deferred tax assets as at December 31:

(In thousands)	**2022**	2021
Deferred tax assets (liabilities) on:		
Excess of lease liabilities over ROU assets	**P2,178,218**	P1,781,846
Fair value of intangible assets from business combination	**(1,149,778)**	(1,149,778)
Retirement benefits liability	**460,270**	335,526
Remeasurement on defined benefits liability	**(193,079)**	-
Accrued rent income	**(12,058)**	(127,922)
Allowance for impairment losses on receivables	**3,725**	22,317
Borrowing cost	**-**	(10,678)
Advance rent	**2,241**	(5,213)
Unrealized foreign exchange loss (gain)	**(53)**	3,083
Accrued rent expense	**-**	1,843
NOLCO	**-**	-
Allowance for impairment of deferred oil and mineral exploration costs	**3,070**	32,023
Others	**(45,306)**	(283)
	P1,247,250	P882,764

The realization of these deferred tax assets is dependent upon future taxable income when temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefits liability.

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

The unrecognized deferred tax assets as at December are as follows:

(In thousands)	**2022**	2021
Impairment of property, plant and equipment	**P40,009**	P40,009
NOLCO	**123,416**	104,666
MCIT	**3,915**	10,437
PFRS 16	**7,367**	7,174
Retirement Liability	**6,737**	5,370
Unrealized foreign exchange gain (loss)	**(10,786)**	4,568
	P170,658	P172,224

The unrecognized deferred tax assets came from the Parent Company, Canaria Holdings Corporation and Alcorn Petroleum and Mineral Corporation.

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

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2019	P165,833	(P165,833)	P -	2022
2020	2,298	-	2,298	2025
2021	250,535	-	250,535	2026
2022	58,962	-	58,962	2025
	P477,628	(P165,833)	P311,795	

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

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2018	P8,733	(P8,733)	P -	2021
2019	10,060	(10,060)	-	2022
2020	377	-	377	2023
2022	-	-	-	2025
	P19,170	(P18,793)	P377	

28. Equity

Capital Stock

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

	2022		2021	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - P1.00 par value	**10,000,000,000**	**P10,000,000**	10,000,000,000	P10,000,000
Issued and outstanding:				
Issued	**6,946,192,274**	**P7,405,264**	7,405,263,564	P7,405,264
Less treasury shares	**459,078,865**	**1,866,402**	459,071,290	1,734,603
Outstanding	**6,487,113,409**	**P5,538,862**	6,946,192,274	P5,670,661
Treasury shares:				
Balance at beginning of year	**459,071,290**	**P1,734,603**	451,238,890	P1,652,861
Buy back of shares	**7,575**	**131,799**	7,832,400	81,742
Balance at end of year	**459,078,865**	**P1,866,402**	459,071,290	P1,734,603

Treasury Shares

On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1.0 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2022 and 2021, the Company renewed its program to buy back its shares for another year up to P2.0 billion and P3.0 billion, respectively.

Retained Earnings

Declaration of Cash Dividends

In 2022 and 2021, the Parent Company's BOD approved cash dividends for common shareholders with the following details:

Type	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.06
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.08
Cash	December 18, 2020	January 8, 2021	January 29, 2021	0.08
Cash	December 18, 2020	January 15, 2021	February 9, 2021	0.04
Cash	December 18, 2020	January 8, 2021	January 29, 2021	0.04
Cash	December 21, 2021	January 10, 2022	February 3, 2022	0.08
Cash	December 21, 2021	January 10, 2022	February 3, 2022	0.04
Cash	December 21, 2022	January 18, 2023	January 28, 2023	0.14
Cash	December 21, 2022	January 18, 2023	January 28, 2023	0.05

As of December 31, 2022 and 2021, unpaid cash dividends on common shares amounting to P2.7 billion and P1.6 billion, respectively, are included as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

Non-controlling Interests

For the years ended December 31, 2022, and 2021, movements in NCI pertain to the share in net earnings of and dividends paid to non-controlling shareholders, and sale/buyback of the subsidiary shares.

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

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

	2022			2021		
(In thousands)	**PPCI**	**TKHI**	**CHC**	PPCI	TKHI	CHC
NCI percentages	**50.77%**	**22.46%**	**10%**	50.82%	22.46%	10%
Carrying amounts of NCI	**P41,958,664**	**P3,030,552**	**P737,775**	P38,353,714	P2,704,745	P732,100
Current assets	**P78,998,060**	**P14,183,866**	**P12,693,378**	P65,930,709	P13,817,913	P12,677,300
Noncurrent assets	**84,799,454**	**5,449,968**		73,503,099	331,421	-
Current liabilities	**29,877,258**	**6,052,754**	**5,315,625**	17,184,816	1,960,440	1,625,585
Noncurrent liabilities	**51,275,655**	**87,971**		46,773,000	146,712	3,730,720
Net assets	**P82,644,601**	**P13,493,109**	**P7,377,753**	P75,475,992	P12,042,182	P7,320,995
Net income attributable to NCI	**4,721,728**	**501,984**	**P5,676**	P4,157,732	P55,172	P4,392
Other comprehensive income (loss) attributable to NCI	**P218,975**	**(P123)**	**P -**	P137,163	(P56)	P -
Revenue	**184,302,945**	**13,957,192**	**P -**	P164,124,835	P11,034,613	P59,469
Net income	**9,287,427**	**2,235,013**	**P56,758**	P8,180,022	P1,584,383	P43,917
Other comprehensive income (loss)	**430,714**	**(438)**	**-**	269,858	(1,596)	-
Total comprehensive income	**9,718,141**	**2,234,574**	**P56,758**	P8,449,880	P1,582,787	P43,917
Net cash flows provided by (used in):						
Operating	**P13,215,385**	**P2,075,880**	**P56,757**	P14,996,009	P1,366,499	P4,944,695
Investing	**(9,185,748)**	**(4,352,966)**	**-**	(1,336,831)	(13,481)	569,492
Financing	**(5,995,969)**	**(275,519)**	**-**	(5,071,678)	3,813,808	428,528
Net increase in cash and cash equivalents	**(P1,966,333)**	**(P2,522,605)**	**P56,757**	P8,587,500	P5,166,826	P5,942,715

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

29. Segment Information

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

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

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

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

Segment Revenue and Results

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

	Segment Revenues			**Segment Profit**		
(In thousands)	**2022**	2021	2020	**2022**	2021	2020
Grocery retail	**P184,302,945**	P164,124,835	P168,632,329	**P9,287,427**	P8,180,022	P8,066,828
Liquor distribution	**13,957,192**	11,034,614	8,167,404	**2,235,013**	1,621,715	1,179,844
Specialty retail	**1,787,793**	1,555,654	1,671,656	**68,767**	49,706	55,817
Real estate and property leasing	**1,815,916**	1,696,213	1,696,027	**844,704**	876,199	699,556
Holding, oil and mining	**-**	-	-	**1,810,326**	1,990,336	1,343,392
Total	**201,863,846**	178,411,316	180,167,416	**14,246,237**	12,717,978	11,345,437
Eliminations of intersegment revenue/profit	**4,727,082**	3,957,543	2,851,117	**1,962,838**	2,206,488	1,336,511
	P197,136,764	P174,453,773	P177,316,299	**P12,283,398**	P10,511,490	P10,008,926

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

(In thousands)	**2022**	2021	2020
Grocery retail:			
From external customers	**P184,302,945**	P164,124,835	P168,632,329
Liquor distribution:			
From external customers	**10,165,497**	7,953,736	5,949,178
From intersegment sales	**3,791,695**	3,080,878	2,218,226
	13,957,192	11,034,614	8,167,404
Specialty retail:			
From external customers	**1,785,725**	1,553,080	1,669,050
From intersegment sales	**2,068**	2,574	2,606
	1,787,793	1,555,654	1,671,656
Real estate and property leasing:			
From external customers	**882,597**	822,122	1,065,742
From intersegment sales	**933,319**	874,091	630,285
	1,815,916	1,696,213	1,696,027
Oil and mining:			
From external customers		-	-
Total revenue from external customers	**P197,136,764**	P174,453,773	P177,316,299
Total intersegment revenue	**P4,727,082**	P3,957,543	P2,851,117

No single customer contributed 10% or more to the Group's revenue in 2022, 2021 and 2020.

The Group's reportable segments are all domestic operations.

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

(In thousands)	**2022**	2021	2020
Segment assets:			
Grocery retail	**P163,797,514**	P139,433,807	P131,593,509
Specialty retail	**1,162,730**	934,249	1,191,517
Liquor distribution	**19,633,800**	9,868,893	8,739,767
Real estate and property leasing	**25,259,907**	23,978,712	25,596,172
Oil and mining	**117,245,403**	129,577,442	106,061,232
Total segment assets	**327,099,354**	303,793,103	273,182,197
Intercompany assets	**108,561,948**	116,201,353	94,992,373
Total assets	**P218,537,406**	P187,591,750	P178,189,824
Segment liabilities:			
Grocery retail	**P81,152,913**	P63,957,815	P63,090,940
Specialty retail	**637,082**	483,045	792,646
Liquor distribution	**6,140,690**	2,136,321	2,273,073
Real estate and property leasing	**8,022,945**	7,478,347	8,995,981
Oil and mining	**7,254,367**	7,214,003	11,285,978
Total segment liabilities	**103,207,997**	81,269,531	86,438,618
Intercompany liabilities	**17,476,485**	16,771,493	18,028,122
Total liabilities	**P85,731,512**	P64,498,038	P68,410,496

30. Earnings Per Share

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

(In thousands except per share data)	**2022**	2021	2020
Net income attributable to equity holders of the Parent Company (a)	**P7,054,012**	P6,294,194	P5,900,195
Weighted average number of common shares (b)	**6,942,330**	6,949,854	7,054,850
Basic/diluted EPS (a/b)	**P1.02**	P0.91	P0.84

There were no potential dilutive common shares in 2022, 2021 and 2020.

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

31. Financial Risk and Capital Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

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

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

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

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

Credit Risk

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

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

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

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

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

(In thousands)	***Note***	**2022**	2021
Cash and cash equivalents [1]	*4*	**P57,967,494**	P63,285,980
Receivables - net	*5*	**6,363,575**	4,735,784
Financial assets at FVPL	*7*	**4,299,380**	30,726
Security deposits [2]	*15*	**2,494,764**	2,299,378
Due from related parties	*25*	**60,502**	60,341
Financial assets at FVOCI	*8*	**14,449**	15,279
		P71,200,164	P70,427,488

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

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

	December 31, 2022			
(In thousands)	**Grade A**	**Grade B**	**Grade C**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	**P57,967,494**	**P -**	**P -**	**P57,967,494**
Receivables	**4,400,758**	**1,849,593**	**113,224**	**6,363,575**
Due from related parties	**60,502**	**-**	**-**	**60,502**
Security deposits[2]	**-**	**2,494,764**	**-**	**2,494,764**
Financial Assets at FVPL				
Investments in trading securities	**4,299,380**	**-**	**-**	**4,299,380**
Financial Assets at FVOCI				
Investments in preferred shares	**7,262**	**-**	**-**	**7,262**
Investment in common shares	**-**	**-**	**-**	**-**
Quoted	**4,883**	**-**	**-**	**4,883**
Unquoted	**2,304**	**-**	**-**	**2,304**
	P66,742,583	**P4,344,357**	**P113,224**	**P71,200,164**

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

	December 31, 2021			
(In thousands)	Grade A	Grade B	Grade C	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	P63,285,980	P -	P -	P63,285,980
Receivables	3,146,083	1,500,432	89,269	4,735,784
Due from related parties	60,341	-	-	60,341
Security deposits[2]	-	2,299,378	-	2,299,378
Financial Assets at FVPL				
Investments in trading securities	30,726	-	-	30,726
Financial Assets at FVOCI				
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares	-	-	-	-
Quoted	5,713	-	-	5,713
Unquoted	2,304	-	-	2,304
	P66,538,409	P3,799,810	P89,269	P70,427,488

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

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

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

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

c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.

d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

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

<u>Liquidity Risk</u>

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

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

			December 31, 2022		
(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)	**P27,218,068**	**P27,218,067**	**P27,218,067**	**P -**	**P -**
Short-term loans	**148,000**	**148,000**	**148,000**	**-**	**-**
Lease liabilities	**34,455,564**	**70,137,048**	**3,756,603**	**14,564,157**	**51,816,289**
Due to related parties	**5,436,169**	**5,436,169**	**5,436,169**	**-**	**-**
Long-term loans(2)	**11,545,793**	**14,728,959**	**769,141**	**8,878,837**	**5,228,980**
Accrued fixed assets	**1,121,326**	**1,361,806**	**320,424**	**1,041,381**	**-**
Customers' deposits(3)	**739,136**	**739,136**	**-**	**-**	**-**
	P80,664,056	**P119,769,185**	**P37,648,404**	**P24,484,375**	**P57,045,269**

(1) Excluding due to government agencies.
(2) Including current, non-current portion and future interest payment.
(3) Including current and non-current portion.

			December 31, 2021		
(In thousands)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses(1)	P16,256,771	P16,256,771	P16,256,771	P -	P -
Short-term loans	48,000	48,000	48,000	-	-
Lease liabilities	30,132,436	60,809,748	3,318,570	13,982,999	43,508,179
Due to related parties	692,219	692,219	692,219	-	-
Long-term loans(2)	11,770,458	15,418,859	500,593	2,002,374	12,915,892
Customers' deposits(3)	709,941	709,941	-	-	-
	P59,609,825	P93,935,538	P20,816,513	P15,985,373	P56,424,071

(1) Excluding due to government agencies.
(2) Including current, non-current portion and future interest payment.
(3) Including current and non-current portion.

<u>Market Risk</u>

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

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group may be exposed to interest rate risk on interest earned on cash deposits in banks which have variable rates exposing the Group further to cash flow interest rate risk. However, the management believes that the Group is not significantly exposed to interest rate risk since its short and long-term loans have fixed rates and are carried at amortized cost.

The Group's policy is to obtain the most favorable interest available without increasing its interest rate risk exposure.

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

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

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

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

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

The Group is not subject to externally imposed requirements.

32. Fair Value of Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at December 31, 2022 and 2021.

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

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties
The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

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

Financial Assets at FVPL (Level 2)
The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

Financial Assets at FVOCI - Quoted (Level 1)
The fair values of financial assets at FVPL and quoted financial assets at FVOCI and similar investments are based on quoted market prices in an active market.

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

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

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

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

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

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

As at December 31, 2022 and 2021, the Group's financial assets at FVPL for equity securities, and quoted equity investments at OCI are classified as Level 1 while financial assets at FVPL for government securities are classified as Level 2.

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

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of **Cosco Capital, Inc. and Subsidiaries** (the "Group") as at and for the year ended December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 on which we have rendered our report dated April 17, 2023.

- Supplementary Schedules of Annex 68-J
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Company

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Group taken as a whole. The supplementary information is the responsibility of the Group's management.

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

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68 and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563826
Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (the “Group”) as at and for the years ended December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated April 17, 2023.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculations, and their appropriateness or usefulness to the intended users, are the responsibility of the Group’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2022 and 2021 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
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PTR No. MKT 9563826
Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

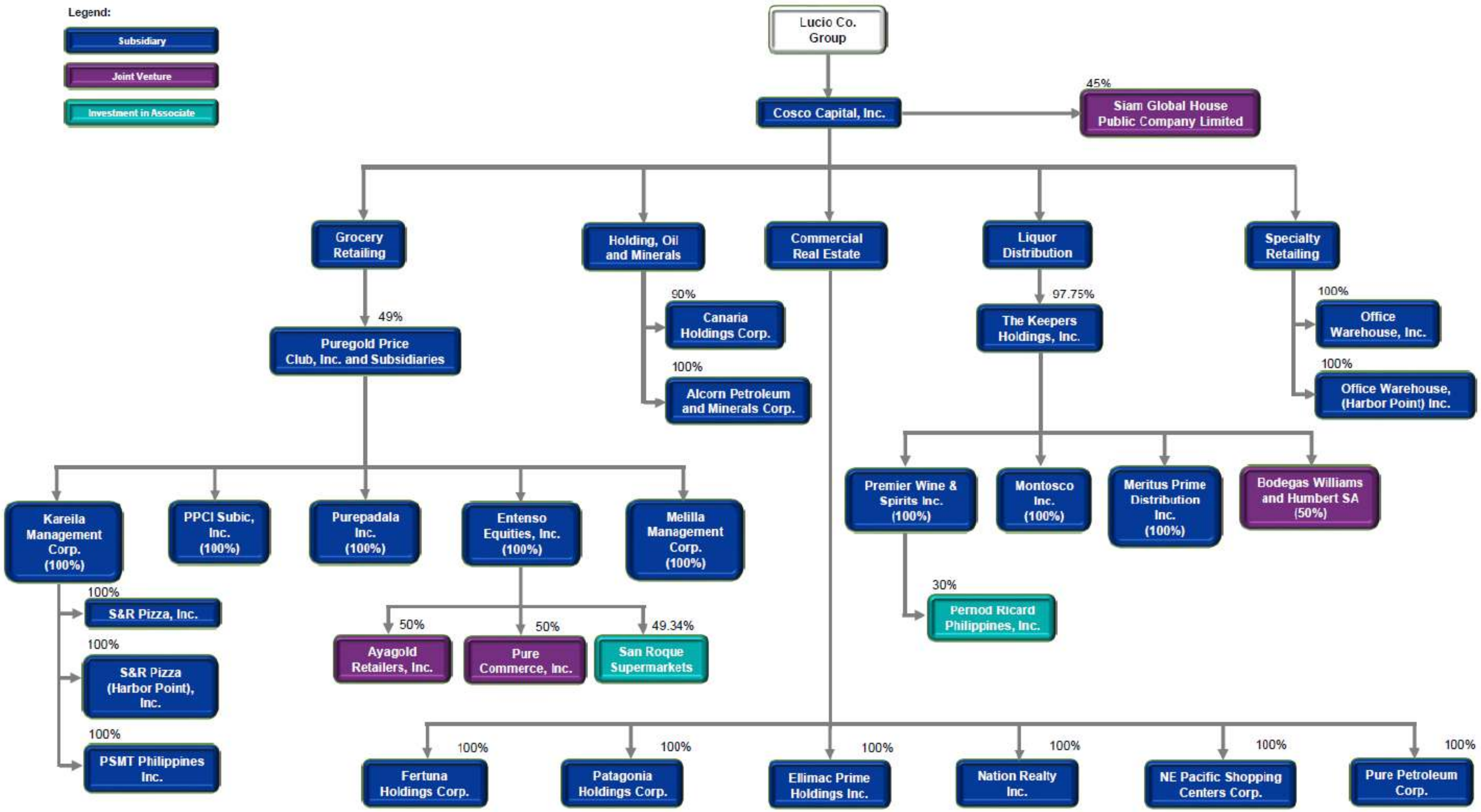
Cosco Capital Inc. and Subsidiaries
As of December 31, 2022

Ratio	Formula		Years ended December 31	
			2022	2021
Current ratio	Total Current Assets divided by Total Current Liabilities		2.94	4.61
	Total current assets	P110,032,840		
	Divide by: Total current liabilities	37,386,879		
		2.94		
Acid-test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		1.88	3.30
	Total current assets	P110,032,840		
	Less: Inventories	34,697,639		
	Other current assets	4,922,380		
	Quick assets	70,412,292		
	Divide by: Total current liabilities	37,386,879		
	Acid-test ratio	1.88		
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities)		0.19	0.23
	Net income	P12,283,399		
	Add: Depreciation and amortization	4,315,784		
	Total	16,599,183		
	Divide by: Total liabilities	85,731,511		
	Solvency ratio	0.19		
Debt-to-equity ratio	Debt-to equity ratio (Total liabilities over total equity)		0.65	0.52
	Total liabilities	P85,731,511		
	Divide by: Total equity	132,805,895		
		0.65		
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity)		1.65	1.52
	Total assets	P218,537,406		
	Divide by: Total equity	132,805,894		
		1.65		

Ratio	Formula	Years ended December 31	
		2022	2021
Interest rate coverage ratio	Interest rate coverage ratio (Profit before interest and taxes over interest expense) Profit before interest and taxes P18,486,599 Divide by: interest expense 2,559,538 7.22	7.22	6.36
Return on equity	Return on Equity (Net Income by Total Equity) Net income P12,283,399 Divide by: Total equity 132,805,895 9%	9%	9%
Return on assets	Return on Assets (Net Income by Average Total Assets) Net income P12,283,399 Divide by: Average Total assets 203,064,578 6%	6%	8%
Net profit margin	Net profit margin (Profit over Total Revenue) Net income P12,283,399 Divide by: Total Revenue 197,136,764 6.23%	6.23%	6.03%
Other ratios	Operating profit margin (Operating profit over Total Revenue) Operating profit P P17,739,767 Divide by: Total Revenue 197,136,764 9.00%	9.00%	7.80%

COSCO CAPITAL, INC. AND SUBSIDIARIES

Map of Group of Companies Within which the Company Belongs
As at December 31, 2022



COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE A. FINANCIAL ASSETS
(Amounts in Thousands, except Number of Shares Principal amounts of Bonds and Notes)

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Various banks/Cash and cash equivalents	N/A	P57,967,494	P57,967,494	694,256*
Various customers and suppliers/Receivables - net	N/A	6,363,575	6,363,575	670,706
Various lessors/Security deposit	N/A	2,432,206	2,432,206	-
Bureau of Treasury (BTR)/Government securities	4,268,095	4,268,095	4,230,505	115,203*
Various publicly-listed companies/Financial Assets at FVPL	1,041	31,285	31,285	323,622**
Various publicly-listed companies/Financial Assets at FVOCI	95,999	14,449***	14,449	213**
Due from related parties/Related parties outside the Group	N/A	60,502	60,502	-
P71,137,606		P71,137,606	P71,100,016	

Notes:

*This represents interest income earned, net of final tax
** This represents unrealized valuation loss on trading securities.

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Lucio L. Co - Chairman	P125,973	P176,070	(P125,973)	P -	P176,070	P -	P176,070
Various Employees	11,132,417	108,388	(11,132,417)	-	108,388	-	108,388
	P11,258,390	**P284,458**	**(P11,258,390)**	**P -**	**P284,458**	**P -**	**P284,458**

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS

(Amount in Thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Advances							
Ellimac Prime Holdings, Inc.	P3,724,902	P -	P -	P -	P3,724,902	P -	P3,724,902
Fertuna Holdings Corporation	68,341	-	-	-	68,341	-	68,341
Patagonia Holdings Corporation	828,508	-	-	-	828,508	-	828,508
Nation Realty, Inc.	240,966	-	-	-	240,966	-	240,966
Alcorn Petroleum and Minerals Corporation	301,733	-	-	-	301,733	-	301,733
Canaria Holdings Corporation	10,500	-	-	-	10,500	-	10,500
Dividends							
Puregold Price Club, Inc.	705,434	1,213,346	705,434	-	1,213,346	-	1,213,346
Canaria Holdings Corporation	450,000	-	-	-	450,000	-	450,000
The Keepers Holdings, Inc.	-	607,500	-	-	607,500	-	607,500
NE Pacific Shopping Centers Corp.	-			-	-	-	-
Nation Realty, Inc.	-			-	-	-	-
Patagonia Holdings Corporation	-			-	-	-	-
Ellimac Prime Holdings, Inc.	75,000	46,403	75,000	-	46,403	-	46,403
Fertuna Holdings Corporation	-	-	-	-	-	-	-
Pure Petroleum Corporation	-	-	-	-	-	-	-
Montosco, Inc.	-	-	-	-	-	-	-
Premier Wines and Spirits, Inc.	-	-	-	-	-	-	-
Trade and Other Receivables							
Meritus Prime Distributions Inc	266,542	1,045,484	1,016,786	-	295,240	-	295,240
Montosco, Inc.	308,156	1,953,552	1,916,992	-	344,716	-	344,716
Nation Realty, Inc	48,680	19,274	67,633	-	321	-	321
Premier Wines and Spirits, Inc..	292,009	792,660	897,012	-	187,657	-	187,657
Canaria Holdings Corporation	1,086,903	-	-	-	1,086,903	-	1,086,903
Fertuna Holdings Corporation	637	-	-	-	637	-	637
Ellimac Prime Holdings, Inc.	48,107	713,399	684,380	-	77,126	-	77,126
NE Pacific Shopping Center Corp.	2,601	36,698	39,299	-	-	-	-
Alcorn Petroleum and Minerals Corporation	72,284	-	-	-	72,284	-	72,284
Patagonia Holdings Corporation	86,000	127,123	208,830	-	4,240	-	4,240
Note Receivable							
Canaria Holdings Corporation	3,637,500	-	-	-	3,637,500	-	3,637,500
Advances							
Ellimac Prime Holdings, Inc.	-	3,724,902	-	-	3,724,902	-	3,724,902
	P12,254,803	**P10,280,341**	**P5,611,366**	**P -**	**P16,923,725**	**P -**	**P16,923,725**

COSCO CAPITAL INC. AND SUBSIDIARIES

SCHEDULE D. LONG TERM DEBT
(Amount in Thousands)

Title of Issue and type of obligation	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	China Banking Corporation	P3,384,468,750	P35,000,000	P3,349,468,750	4.5%	N/A	September 30, 2030
	Development Bank of the Philippines	2,922,696,429	30,000,000	2,892,696,429	4.0%	N/A	September 30, 2027
	Keb Hana Bank	487,455,357	5,000,000	482,455,357	4.0%	N/A	September 30, 2027
	Land Bank of the Philippines	1,461,348,214	15,000,000	1,446,348,214	4.0%	N/A	September 30, 2027
	Land Bank of the Philippines	1,460,342,308	15,000,000	1,445,342,308	4.5%	N/A	September 30, 2030
	Metropolitan Bank & Trust Co.	974,571,428	10,000,000	964,571,428	4.0%	N/A	September 30, 2027
	Shinhan Bank	487,455,357	5,000,000	482,455,357	4.0%	N/A	September 30, 2027
	The Insular Life Assurance Company, Ltd.	487,455,357	5,000,000	482,455,357	4.0%	N/A	September 30, 2027
Totals		**P11,665,793,200**	**P120,000,000**	**P11,545,793,200**			

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common Shares	10,000,000,000	7,405,263,564	-	722,378,524	4,812,820,374	-

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2022
(Amounts in Thousands)

COSCO CAPITAL, INC.
900 Romualdez Street, Paco, Manila

Unappropriated Retained Earnings, as adjusted, beginning		**P973,989**
Net Income during the period closed to Retained Earnings		**1,758,996**
Less: Non-actual/unrealized income net of tax		
Equity in net income of associates	P -	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Equity in net income of a joint venture	-	
PFRS 16 adjustment on DTA	-	
Deferred tax benefit	1,674	
Fair value adjustments (M2M gains)	-	
Fair value adjustments of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total		**1,674**
Add: Non-actual losses		
Unrealized loss on fair value adjustment of investment through P/L	-	
Deferred tax expense	-	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total		**-**
Net income actually earned during the period		**1,757,322**
Add (Less):		
Dividends declared during the year		**(1,364,696)**
Movement in treasury shares		**(34,796)**
Unappropriated Retained Earnings, as adjusted, ending		**P1,331,819**

Management's Discussion and Analysis of Operations

The following discussion and analysis of the Group's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group's business should be read in conjunction with the auditors' reports and the Group's 2022 audited consolidated financial statements and accompanying notes attached herewith as Annex “B”.

Key Performance Indicators

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

- Return on investment (Net income/ Ave. stockholders’ equity) - measures the profitability of stockholders’ investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders’ equity) - indicates the Group’s leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders’ Equity) -measure of a Group's financial leverage

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

Performance Indicators	**2022**	**2021**	**2020**
Return on investment	**9.60%**	9.02%	9.45%
Profit margin	**6.23%**	6.03%	5.64%
EBITDA to interest expense	**8.64x**	7.96x	8.98x
Current ratio	**2.96:1**	4.63:1	3.60:1
Asset turnover	**0.97:1**	0.95:1	1.07:1
Asset to equity	**1.64:1**	1.52:1	1.62:1
Debt to equity ratio	**0.64:1**	0.52:1	0.62:1

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

Comparative Years 2021 and 2020

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

(In Thousands)	FY2022	%	FY2021	%	*INCREASE (DECREASE)*	%
REVENUES	**197,136,763**	***100.00%***	174,453,773	*100.00%*	***22,682,990***	***13.00%***
COST OF SALES/SERVICES	**159,204,817**	***80.76%***	140,822,162	*80.72%*	***18,382,655***	***13.05%***
GROSS PROFIT	**37,931,946**	***19.24%***	33,631,611	*19.28%*	***4,300,335***	***12.79%***
OTHER OPERATING INCOME	**3,187,089**	***1.62%***	3,216,628	*1.84%*	***(29,539)***	***-0.92%***
GROSS OPERATING INCOME	**41,119,035**	***20.86%***	36,848,239	*21.12%*	***4,270,796***	***11.59%***
OPERATING EXPENSES	**23,579,269**	***11.96%***	21,461,845	*12.30%*	***2,117,424***	***9.87%***
INCOME FROM OPERATIONS	**17,539,766**	***8.90%***	15,386,394	*8.82%*	***2,153,372***	***14.00%***
OTHER INCOME (CHARGES) - net	**(1,612,705)**	***-0.82%***	(1,883,189)	*-1.08%*	***270,484***	***-14.36%***
INCOME BEFORE INCOME TAX	**15,927,061**	***8.08%***	13,503,205	*7.74%*	***2,423,856***	***17.95%***
INCOME TAX EXPENSE	**3,643,662**	***1.85%***	2,991,716	*1.71%*	***651,947***	***21.79%***
NET INCOME FOR THE YEAR	**12,283,398**	***6.23%***	10,511,490	*6.03%*	***1,771,909***	***16.86%***
PATMI	**7,054,011**	***3.58%***	6,151,761	*3.53%*	***902,250***	***14.67%***
Non-controlling interests	**5,229,387**	***2.65%***	4,359,728	*2.50%*	***869,659***	***19.95%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the “Group”) posted a consolidated revenue of P197.14 Billion for the year ended December 31, 2022 which reflects an increase by P22.68 Billion or representing a growth by 13.0% compared to last year’s revenue of P174.45 Billion.

The Grocery Retail and Liquor Distribution Segments largely delivered stronger sales performance and growth during the year which indicates the recovering consumer demands resulting from the continued easing of mobility restrictions as well as the corresponding economic recovery indicators amidst the current volatilities affecting the global business and markets.

The Commercial Real Estate segment posted some recovery gains in revenue as it also benefits from the continued easing of mobility restrictions allowing more tenants to gradually recover its business volume and enabling the gradual reduction in rental discounts and reliefs previously granted.

The Specialty Retail segment likewise benefited from the gains resulting from the sustained easing of community restrictions that enabled its continued store operations which are predominantly located in CBD areas.

Growth in Net Income

During the same period and despite the challenges from the lingering macro-economic impacts on business, however, the Group managed to realize a consolidated net income of P12.28 Billion which represents a growth of 16.86% as compared to last year's net income of P10.51 Billion.

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

Net income attributable to equity holders of the parent company (PATMI) in 2022 amounted to about P7.05 Billion which increased by P902.25 million or 14.67% as compared to the 2021 PATMI amounting to P6.15 Billion.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the year ended December 31, 2022, the Grocery Retail segment posted a consolidated net sales of P184,303 million for an increase of P20,178 million or 12.3% compared to P164,125 million in 2021. Net sales grew due to sales contribution from full operation of 2021 new stores and revenue contribution from 2022 newly opened stores of both Puregold and S&R.

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

	PGOLD	S&R
Net Sales	**4.5%**	**11.2%**
Net Ticket	**-4.3%**	**7.9%**
Traffic	**9.2%**	**3.1%**

Gross Profit

For the year ended December 31, 2022, the Grocery Retail segment realized an increase of 12.4% in consolidated gross profit from P30,083 million in 2021 at 18.3% margin to P33,820 million at 18.4% margin in 2022, driven by strong and continuing suppliers' support through trade discounts in the form of rebates and conditional discounts granted during the year.

Other Operating Income

Other operating income slightly decreased by P26 million or 0.8% from P3,210 million in 2021 to P3,184 million in 2022. This is attributable to decline in concession income due to lower concession sales during the year.

Operating Expenses

Operating expenses increased by P2,172 million or 10.7% from P20,350 million in December 31, 2021 to P22,522 million in 2022. Increase in the account is primarily due to full operation of 2021 new stores and expenses from the 2022 newly opened stores, specifically manpower, utilities, supplies, transportation, fuel and advertising expenses.

Other Expense - net
Other expenses net of other income amounted to P2,257 million and P2,290 million in December 31, 2022 and 2021, respectively. This includes interest on bank loans and accretion of interest on leased assets in compliance with PFRS 16 – Leases, and net of interest income.

Net Income
For the year ended December 31, 2022, the Grocery Retail segment earned a consolidated net income of P9,287 million at 5.0% net margin and an increase of 13.5% from P8,180 million at 5.0% net margin in 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, management effort to improve gross margins and sustained strategic cost and expense management.

<u>Commercial Real Estate</u>

The Group's Real Estate Segment posted a revenue of P1.81 billion in 2022 or 7.06% growth from the P1.70 billion revenue generated in 2021.

This was mainly attributable to the continued easing of mobility restrictions and corresponding benefits from a recovering level of economic activities benefiting its tenants to gradually improve their business operations.

During the year, the segment continued to be affected by the impact of extending rental reliefs and related supports to its affected tenants portfolio by way of reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected.

Income from operations before depreciation amounted to P1.24 Billion for the year 2022 which increased by 6.20% as compared to last year.

Net income for the year amounted to P844.70 Million or a 7.64% decrease from last year's P914.59 Million due mainly to the effect of unrecovered power cost adjustment during 2022 and the reversal of excess provision on receivables in 2021 which is a one-time gain increase in the net income.

<u>Liquor Distribution</u>

Revenues generated by the Liquor Distribution Segment in 2022 increased to P13.96 Billion or 26.49% higher from last year's P11.03 Billion on the back of a 20% growth in volume (no. of cases) of sales.

The strong growth in sales is attributable to the robust sales performance across all product categories particularly the recovering demand and consumption from the on-premise channels as well as the gradually increasing demand from the travel retail market resulting from the easing community restrictions. Some price adjustments on certain product SKUs also contributed to the revenue uplift.

Income from operations, increased to P2.75 Billion in 2022 or 37.94% growth from last year's P1.99 Billion principally driven by improved gross margins and sustained strategic costs and expense management including its marketing and distribution costs.

As a result, net income for the year grew by 41.1% from P1.58 Billion in 2021 to P2.23 Billion in 2022. The effect of reduced income tax rates resulting from the passage of CREATE Law also contributed to the growth in net income.

Specialty Retail

Office Warehouse

Sales revenues amounted to P1.79 Billion in 2022 which grew by 14.9% compared to the 2021 revenue of P1.55 Billion which reflects a recovering consumer demand during the year on account of the continued easing of mobility restrictions and continued operations of its stores network. Same store sales registered a positive growth of 13.79% driven by a strong customer traffic count and recovering from a negative growth of 9.70% in 2021.

The segment's sales performance during the first quarter was affected by the government imposed community and mobility restrictions and the temporary closure of the company's predominantly CBD-centric store outlets having been classified as non-essential business during the recently imposed heightened restrictions due to the resurgence of the infection rates particularly driven by the Omicron variant.

Office Warehouse also capitalized on the back-to-school season big time savings promo which augurs well for the company with robust sales growth started to be experienced in July.

Net income in 2022 amounted to about P68.77 Million which increased by P19.06 Million or 38.30% as compared to the net income contribution in 2021 amounting to P49.71 Million.

Consolidated Statements of Financial Position

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

	2022	%	2021	%	INCREASE (DECREASE)	%
Cash and cash equivalents	**59,682,265**	**27.31%**	63,860,207	34.04%	(4,177,942)	-6.54%
Receivables - net	**6,363,575**	**2.91%**	4,735,784	2.52%	1,627,791	34.37%
Inventories	**34,697,639**	**15.88%**	25,390,956	13.54%	9,306,683	36.65%
Financial assets at FVPL	**4,299,380**	**1.97%**	30,726	0.02%	4,268,654	-
Financial assets at FVOCI	**6,570**	**0.00%**	6,784	0.00%	(214)	-3.15%
Due from related parties	**60,502**	**0.03%**	60,340	0.03%	162	0.27%
Prepaid expenses and other current assets	**4,922,909**	**2.25%**	1,648,099	0.88%	3,274,810	198.70%
Total Current Assets	**110,032,840**	**50.35%**	95,732,896	51.03%	14,299,944	14.94%
Investment in associates and joint ventures	**5,908,813**	**2.70%**	715,393	0.38%	5,193,420	725.95%
Right of use of assets - net	**28,378,873**	**12.99%**	24,406,913	13.01%	3,971,960	16.27%
Property and equipment - net	**39,018,477**	**17.85%**	31,818,124	16.96%	7,200,353	22.63%
Investment properties - net	**9,584,048**	**4.39%**	9,487,968	5.06%	96,080	1.01%
Goodwill and other intangibles - net	**21,053,981**	**9.63%**	21,057,378	11.23%	(3,397)	-0.02%
Deferred tax assets - net	**1,247,250**	**0.57%**	882,764	0.47%	364,486	41.29%
Deferred oil and mineral exploration costs - net	**10,647**	**0.00%**	6,154	0.00%	4,493	73.01%
Other noncurrent assets	**3,302,477**	**1.51%**	3,484,160	1.86%	(181,683)	-5.21%
Total Noncurrent Assets	**108,504,566**	**49.65%**	91,858,854	48.97%	16,645,712	18.12%
	218,537,406	**100.00%**	187,591,750	100.00%	30,945,656	16.50%
Accounts payable and accrued expenses	**28,259,648**	**12.93%**	16,872,386	8.99%	11,387,262	67.49%
Income tax payable	**1,109,767**	**0.51%**	1,054,585	0.56%	55,182	5.23%
Lease liabilities due within one year	**1,470,464**	**0.67%**	1,223,723	0.65%	246,741	20.16%
Short-term loans	**148,000**	**0.07%**	48,000	0.03%	100,000	208.33%
Current maturities of long-term loans due within one year	**120,000**	**0.05%**	120,000	0.06%	-	-
Due to related parties	**5,436,169**	**2.49%**	692,219	0.37%	4,743,950	685.33%
Other current liabilities	**842,831**	**0.39%**	776,867	0.41%	65,964	8.49%
Total Current Liabilities	**37,386,879**	**17.11%**	20,787,780	11.08%	16,599,099	79.85%
Long-term loans	**11,545,793**	**5.28%**	11,650,458	6.21%	(104,665)	-0.90%
Lease liabilities	**34,455,564**	**15.77%**	30,271,128	16.14%	4,184,436	13.82%
Retirement benefits liability	**1,058,107**	**0.48%**	1,346,544	0.72%	(288,437)	-21.42%
Other noncurrent liabilities	**1,285,168**	**0.59%**	442,128	0.24%	843,041	190.68%
Total Noncurrent Liabilities	**48,344,633**	**22.12%**	43,710,258	23.30%	4,634,375	10.60%
Total Liabilities	**85,731,511**	**39.23%**	64,498,038	34.38%	21,233,474	32.92%
Capital stock	**7,405,264**	**3.39%**	7,405,264	3.95%	-	-
Additional paid-in capital	**9,640,491**	**4.41%**	9,634,644	5.14%	5,847	0.06%
Treasury stock	**(1,866,402)**	**-0.85%**	(1,734,603)	-0.92%	(131,799)	7.60%
Retirement benefits reserve	**270,835**	**0.12%**	52,651	0.03%	218,184	414.40%
Other reserve	**2,375**	**0.00%**	1,859	0.00%	516	27.76%
Retained earnings	**71,621,881**	**32.77%**	65,943,338	35.15%	5,678,542	8.61%
Total Equity Attributable to Equity Holders of the Parent Company	**87,074,444**	**39.84%**	81,303,153	43.34%	5,771,290	7.10%
Noncontrolling Interests	**45,731,451**	**20.93%**	41,790,559	22.28%	3,940,892	9.43%
Total Equity	**132,805,895**	**60.77%**	123,093,712	65.62%	9,712,182	7.89%
	218,537,406	**100.00%**	187,591,750	100.00%	30,945,656	16.50%

Current Assets

As at December 31, 2022 and 2021, total current assets amounted to P110.03 Billion or 50.35% of total assets and P95.73 Billion or 51.03% of total assets, respectively, for an increase of P14.30 Billion or 14.94% as at December 31, 2022.

Cash and cash equivalents amounted to P59.68 Billion as at December 31, 2022 with a decrease of P4.18 Billion or 6.54% from December 31, 2020 balance. The decrease was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2021 cash dividends, loan settlements, acquisition of additional investments and payments for capital expenditures during the year.

Receivables increased by 34.37% from December 31, 2021 balance of P4.73 Billion to this year's balance of P6.36 Billion due mainly to the net effect of increase sales and collections made on trade and non-trade receivables.

Financial assets at fair value through profit or loss (FVPL) increased by P4.27 Billion from December 31, 2021 balance of P30.73 Million to this year's balance of P4.3 Billion due mainly to additional investments in government securities during the period by Grocery Retail segment.

Inventories increased by 36.65% or P9.30 billion from 2021 balance of P25.39 Billion to this year's balance of P34.70 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, Liquor Distribution and Specialty Retail segments. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P28.21 Billion.

Prepaid expenses and other current assets increased by P3.27 Billion or 198.70% at the end of December 2022, mainly due to advances payments to suppliers and additional prepayments made for advertising, taxes and licenses, and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties amounted to P60.50 million at the end of December 2022.

Non-current Assets

As at December 31, 2022 and 2021, total non-current assets amounted to P108.50 Billion or 49.65% of total assets, and P91.86 Billion or 48.97% of total assets, respectively, for an increase of P16.64 Billion or 18.12%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P7.20 Billion from P31.82 Billion in December 2021 to P39.02 Billion in December 2022 due principally to additional capital expenditures pertaining to new organic stores and warehouse clubs established by the Grocery Retail Segment during the year as well as properties acquired as a result of business combination involving the segment's warehouse club business. The Grocery Retail segment has opened a total of 24 new Puregold stores in 2022.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P3.97 Billion from P24.41 Billion in December 2021 to P28.38 Billion in December 2022 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to rental properties including land, buildings and equipment owned by the Real Estate segment. Book values of investment properties amounted to P9.58 Billion in December 2022.

Investments increased by P5.19 Billion from P715.39 Million in December 2021 to P5.92 Billion in December 2022. The increase mainly pertain to the equity investment acquired by The Keepers Holdings representing a 50% equity interest in Bodegas Williams & Humbert SA, a Spanish company with over 140 years of history producing alcoholic beverages and the producer of "Alfonso," the number one imported brandy in the Philippines and the segment's flagship brand.

Deferred tax assets increased by P364.49 Million or 41.29% from P882.76 Million in December 2021 to P1.25 Billion in December 2022 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized and retirement benefits.

Other non-current assets decreased by P181.68 Million from P3.48 Billion in December 2021 to P3.30 Billion in December 2022. About 84% of these assets are attributable to the Grocery Retail Segment and the decrease was primarily due to net effect of additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline and reversal of accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at December 31, 2022 and 2021, total current liabilities amounted to P37.39 Billion and P20.79 Billion respectively, for an increase of P16.60 Billion or 79.85%.

About 74% of **accounts payable and accrued expenses** pertains to the trade payables to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The increase by P11.39 Billion or 67.49% was primarily due to net effect of freeze payments of trade and non-trade liabilities and settlement of dividends declared by the Grocery Retail segment and Parent Company in December 2021.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P55.18` Million from P1.05 Billion as at December 2021 to P1.11 Billion as at December 31, 2022 is mainly due to higher taxable net income in the fiscal year 2022 vs 2021.

Short-term loans payable account increased by P100.0 Million mainly due to availments of working capital bank loan by the Liquor Distribution segment net of debt servicing made by the Real Estate segment.

Current maturities of long-term loans due within one year amounted to P120 Million as at December 31, 2022 representing the current portion of the long-term corporate notes issued by the Grocery Retail segment.

Lease liabilities due within one year account increased by P246.74 Million from P1.22 Billion in December 2021 to P1.47 Billion in December 2022 due principally to the net effect of additional leases, interest expense amortization and lease payments made during the current period.

Due to related parties increased by P4.74 Billion mainly due to the amount payable to related parties representing the unpaid portion of the equity investments acquired in Bodegas by the Liquor Distribution segment and property acquired by the Grocery Retail segment.

Other current liabilities increased by 8.49% from P776.87 Million as at December 31, 2021 to P842.83 Million as at December 31, 2022 relatively due to receipt of advances from suppliers intended for future promotional activities by the Grocery Retail segments.

Noncurrent Liabilities

As at December 31, 2022 and 2021, total non-current liabilities amounted to P48.34 Billion and P43.71 Billion, respectively, for an increase of P4.63 Billion or 10.6%.

Long-term loans payable-net of current portion amounted to P11.54 Billion as at December 31, 2022 which decreased by P104.66 Million due to settlements.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by all the business 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 P4.18 Billion from P30.27 Billion in December 2021 to P34.45 Billion in December 2022 due principally to the net effect of additional leases, interest expense amortization and lease payments made during the period.

Retirement benefit liability decreased by P288.44 Million mainly due to the net effect of recognition of additional benefit cost during 2022 and the effect of remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities increased by P843.08 Million or 190.68% from P442.13 Million in December 2021 to P1.289 Billion as at December 31, 2022 due to recognition of customer deposits and advance rentals by the Real Estate segment and accrued fixed assets by the Grocery Retail segment.

Equity

As at December 31, 2022 and 2021, total equity amounted to P132.80 Billion and P123.09 Billion, respectively, for an increase of P9.71 Billion or 7.89%.

Treasury shares increased by P131.80 million from P1.73 Billion in December 2021 to P1.87 Billion as at December 31, 2022 due to additional buyback by the Parent Company and Grocery Retail segment during the period pursuant to its existing share buyback programs.

Retained earnings increased by P5.68 Billion or 8.61% from P65.94 Billion in December 2021 to P71.62 Billion as at December 31, 2022 representing net income realized by the Group during the period.

Non-controlling interest increased by P3.94 Billion or 9.43% from P41.79 Billion in December 2021 to P45.73 Billion as at December 31, 2022 mainly due to share in the consolidated profit.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2022**	2021
Net cash flows from operating activities	**P15,739,227**	P 16,955,382
Net cash flows from (used in) investing activities	**(14,252,865)**	3,303,285
Net cash flows used in financing activities	**(5,661,176)**	(5,253,227)
Net increase in cash and cash equivalents	**(P4,177,942)**	P14,992,461

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

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment, investments in government securities and additional equity investments made by the Liquor Distribution segment during the year.

Net cash used in financing activities principally resulted from the net settlements of bank loans by Real Estate and Grocery Retail segment during the year, repayment of principal and interest by the group relating to lease liability, payment of 2021 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

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

Comparative Years 2021 and 2020

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

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

Growth in Revenues

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

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

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

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

Growth in Net Income

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

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

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

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During 2021, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P164.12 Billion or a decrease of P4.51 Billion or about 2.67% decline as compared to the segment's revenue contribution of P168.63 Billion for the same period of last year. Revenues generated in 2020 experienced a robust growth and uptick particularly in the first quarter due to consumer panic buying in preparation for the looming community lockdown restrictions due to the emerging Covid-19 pandemic which was eventually imposed by the Philippine Government on March 16, 2020. The uptick in revenue during 2020 amounted to P5.04 billion.

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

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

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

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

Real Estate Segment

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

This was mainly attributable to the continuing impact of the government imposed community and mobility restrictions wherein management continued to extend rental reliefs and related supports to its affected tenants portfolio during 2021 in the form of either waiver or reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected. The Real estate segment has extended waiver or reduction of rentals on the following categories: food-nation brands, nonfood-retail/services, food-MSME and kiosks.

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

Liquor Distribution Segment

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

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

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

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

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

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

Segment Operating & Financial Highlights

Grocery Retail

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

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

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

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

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

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

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

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

Commercial Real Estate

The Group's Real Estate Segment posted a revenue of P1.69 Billion in 2021 which is of the same level of revenue generated in 2020.

This was mainly attributable to the continuing impact of the government imposed community and mobility restrictions and management's continued policy response to extend rental reliefs and related support to its affected tenants portfolio during the period in the form of either waiver or reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected. The reduced rental rates and related reliefs are being reviewed by management on a quarterly basis. The Real estate segment has extended waiver or reduction of rentals on the following categories: food-nation brands, nonfood-retail/services, food-MSME and kiosks.

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

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

Liquor Distribution

Revenues generated by the Liquor Distribution Segment in 2021 increased to P11.03 Billion in 2021 or 35.11% higher from last year's P8.17 Billion on the back of a 32% growth in volume (no. of cases) of sales

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

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

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

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

Specialty Retail

Office Warehouse

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

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

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

Consolidated Statements of Financial Position

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

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

Current Assets

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

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

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

Inventories increased by 1.91% P476.68 or from 2020 balance of P24.91 Billion to this year's balance of P25.39 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, while stocking requirements of the Liquor Distribution and Specialty Retail segments decreased due to the effect of quarantine restrictions. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P21.56 Billion.

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

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

Non-current Assets

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

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P1.13 Billion from P28.68 Billion in December 2020 to P29.82 Billion in December 2021 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment. The Grocery Retail segment has opened a total of 32 stores in 2021.

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

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

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

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

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

Current Liabilities

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

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

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

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

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

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

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

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

Noncurrent Liabilities

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

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

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

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

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

Equity

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

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

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

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

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

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

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

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

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

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

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

Comparative Years 2020 and 2019

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

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

<u>Growth in Revenues</u>

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

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

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

<u>Growth in Net Income</u>

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

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

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

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

Segment Revenue & Net Income Contributions

Grocery Retail Segment

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

While the segment experienced some uptick in sales during the first quarter due to the initial precautionary consumer buying in preparation for the government imposed community quarantine which amounted to P5.04 billion, revenues from some stand-alone QSR outlets of S&R located at community malls and CBDs which were ordered closed experienced some declines during the period of enhanced community quarantine.

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

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

Real Estate Segment

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

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

Liquor Distribution Segment

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

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

Specialty Retail

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

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

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

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

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

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

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

Gross Profit

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

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

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

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

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

Commercial Real Estate

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

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

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

Liquor Distribution

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

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

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

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

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

Specialty Retail

Office Warehouse

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

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

Consolidated Statements of Financial Position

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

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

Current Assets

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

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

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

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

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

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

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

Non-current Assets

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

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

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

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

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

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

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

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

Current Liabilities

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

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

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

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

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

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

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

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

Noncurrent Liabilities

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

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

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

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

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

Equity

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

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

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

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

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

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

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

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

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

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

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

Comparative Years 2019 and 2018

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

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

<u>Growth in Revenues</u>

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

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

<u>Growth in Net Income</u>

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

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

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

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

Segment Revenue & Net Income Contributions

Grocery Retail Segment

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

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

Real Estate Segment

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

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

Liquor Distribution Segment

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

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

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

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

Segment Operating & Financial Highlights

Grocery Retail

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

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

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

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

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

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

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

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

Commercial Real Estate

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

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

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

Liquor Distribution

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

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

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

Specialty Retail

Office Warehouse

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

Liquigaz

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

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

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

Consolidated Statements of Financial Position

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

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

Current Assets

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

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

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

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

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

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

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

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

Non-current Assets

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

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

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

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

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

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

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

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

Current Liabilities

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

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

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

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

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

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

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

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

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

Noncurrent Liabilities

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

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

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

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

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

Equity

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

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

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

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

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

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

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

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

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

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

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

Material Events and Uncertainties

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

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

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

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

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

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

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

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

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2023 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, 2023

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.

Key Performance Indicators

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

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

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

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

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

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

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

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

The table below shows the key performance indicators for the past two interim periods:

Performance Indicators	**2023**	**2022**
Return on investment	**2.3%**	2.17%
Profit margin	**6.52%**	6.65%
EBITDA to interest expense	**7.60x**	8.29x
Current ratio	**3.99:1**	6.17:1
Asset turnover	**0.22:1**	0.22:1
Asset to equity	**1.54:1**	1.47:1
Debt to equity ratio	**0.54:1**	0.47:1

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

Comparative Years 2021 and 2020

The table below shows the consolidated results of operations of the Group for the periods ended March 31, 2023 and 2022.

(In Thousands)	Q12023	%	Q12022	%	*INCREASE (DECREASE)*	%
REVENUES	**47,477,202**	*100.00%*	40,680,227	*100.00%*	***6,796,975***	***16.71%***
COST OF SALES/SERVICES	**37,886,962**	***79.80%***	32,183,181	*79.11%*	***5,703,781***	***17.72%***
GROSS PROFIT	**9,590,240**	***20.20%***	8,497,045	*20.89%*	***1,093,195***	***12.87%***
OTHER OPERATING INCOME	**764,838**	***1.61%***	708,412	*1.74%*	***56,426***	***7.97%***
GROSS OPERATING INCOME	**10,355,078**	***21.81%***	9,205,458	*22.63%*	***1,149,620***	***12.49%***
OPERATING EXPENSES	**5,974,427**	***12.58%***	5,142,268	*12.64%*	***832,159***	***16.18%***
INCOME FROM OPERATIONS	**4,380,651**	***9.23%***	4,063,190	*9.99%*	***317,462***	***7.81%***
OTHER INCOME (CHARGES) - net	**(411,793)**	***-0.87%***	(534,488)	*-1.31%*	***122,695***	***-22.96%***
INCOME BEFORE INCOME TAX	**3,968,859**	***8.36%***	3,528,702	*8.67%*	***440,157***	***12.47%***
INCOME TAX EXPENSE	**872,824**	***1.84%***	822,688	*2.02%*	***50,136***	***6.09%***
NET INCOME FOR THE PERIOD	**3,096,035**	***6.52%***	2,706,013	*6.65%*	***390,021***	***14.41%***
PATMI	**1,778,276**	***3.75%***	1,537,641	*3.78%*	***240,636***	***15.65%***
Non-controlling interests	**1,317,758**	***2.78%***	1,168,373	*2.87%*	***149,385***	***12.79%***
	3,096,035	***6.52%***	2,706,013	*6.65%*	***390,021***	***14.41%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P47.48 Billion for the period ended March 31, 2023 which reflects an increase by P6.79 Billion or representing a growth of 16.71% compared to last year's revenue of P40.68 Billion.

The Grocery Retail and Liquor Distribution Segments continued to delivered stronger sales performance and growth during the first quarter of 2023 which reflects the recovering consumer demands resulting from the continued easing of mobility restrictions as well as the corresponding economic recovery indicators amidst the current volatilities affecting the global business and markets.

The Commercial Real Estate segment continued to post some recovery gains in revenue as it also benefited from the continued easing of mobility restrictions allowing more tenants to gradually recover its business operations and enabling the gradual reduction in rental discounts and reliefs previously granted.

The Specialty Retail segment likewise generated strong sales performance during the first quarter of 2023 resulting from the sustained easing of community restrictions and economic recovery that enabled its continued store operation which are predominantly located in CBD areas. The resumption of face to face classes also contributed to the growth in revenues.

It is worth to mention that the revenues of the Group's business segments during the first quarter of 2022 had been affected in varying degrees by the business and social disruptions resulting from the continuing general community quarantine and mobility restrictions imposed by the Philippine Government on a nationwide scale due to the Covid-19 pandemic particularly with the heightened community restrictions and lockdowns imposed from January 15, 2022 to February 15, 2022 due to the extraordinary surge in infection rate caused by the Omicron variant of the Covid-19 virus.

Growth in Net Income

During the same period and despite the challenges from the lingering macro-economic impacts on business, the Group, however, managed to realize a consolidated net income of P3.09 Billion which represents a growth of 14.41% as compared to last year's net income of P2.71 Billion.

The strong revenue performance across all the business segments were reinforced by a combination of management's strategic initiatives and efficiency measures at all business segments that involved enhancements in the cost of goods sold and services coupled by sustained strategic costs and expense reduction and management. The implementation of the reduced corporate income tax rate under the CREATE Law also contributed to the growth in the group's consolidated net income.

Net income attributable to equity holders of the parent company (PATMI) in 2023 amounted to about P1.78 Billion which increased by P240.64 million or 15.65% as compared to the 2022 PATMI amounting to P1.54 Billion.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the period ended March 31, 2023, the Grocery retail segment posted a consolidated net sales of P44,352 million for an increase of P5,845 million or 15.2% compared to P38,507 million in the same period of 2022. Net sales grew due to strong like for like sales performance, sales contribution from full operation of 2022 new stores and revenue from 2023 newly opened stores of both Puregold and S&R.

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

	PGOLD		S&R	
	2023	2022	**2023**	2022
Net Sales	**8.8%**	-4.5%	**16.8%**	-1.3%
Net Ticket	**0.2%**	-7.1%	**3.6%**	8.0%
Traffic	**8.7%**	2.8%	**12.7%**	-8.7%

Gross Profit

For the period ended March 31, 2023, the Grocery retail segment realized an increase of 10.7% in consolidated gross profit to P8,521 million at 19.2% from P7,698 million at 20.0% margin in the same period of 2022, driven by strong and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income increased by P55 million or 7.8% from P707 million in the three months of 2022 to P762 million in the same period of 2023. This is attributable to increase in membership and rent income during the period.

Gross Operating Income

Gross operating income for the first quarter of 2023 amounted to P9,283 million at a gross operating margin of 20.9% and an increase of P878 million or 10.4% from P8,405 million at 21.8% margin in the same period of 2022.

Operating Expenses

Operating expenses increased by P751 million or 15.2% from P4,954 million in the three-month period ended March 31, 2022 to P5,705 million in the same period of 2023. Increase in the account was primarily due to operating cost of old stores in line with increase in sales, full operation of 2022 new stores and expenses from the 2023 newly opened stores, specifically manpower, utilities, supplies and advertising expenses.

Other Expense - net
Other expenses net of other income amounted to P462 million and P608 million for the three-month periods ended March 31, 2023 and 2022, respectively. Decrease in the account was primarily due to increase on interest income from short term investments during the period.

Net Income
For the period ended March 31, 2023, the Grocery retail segment earned a consolidated net income of P2,406 million at 5.4% net margin and an increase of 11.9% from P2,151 million at 5.6% net margin in the same period of 2022. This was principally driven by the continuous organic expansion of the Group’s grocery retail outlets, strategic cost management and sustained strong consumer demand.

Commercial Real Estate

The Group’s Real Estate Segment posted a revenue of P488.18 million in 2023 or 8.68% growth from the P449.18 million revenue generated in 2022.

This was mainly attributable to the continued easing of mobility restrictions and corresponding benefits from a recovering level of economic activities benefiting its tenants to gradually improve their business operations and the resumption of rental rates based on contracts.

Income from operations before depreciation amounted to P363.95 million for the period 2023 which increased by 8.33% as compared to last year.

Net income for the period amounted to P247.19 million or a 9.01% increase from last year’s P226.77 million due mainly to the increase in revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment in 2023 increased to P2.90 Billion or 33.56% higher from last year’s P2.17 Billion on the back of a 30% growth in volume (no. of cases) of sales.

The strong growth in sales is attributable to the robust sales performance across all product categories particularly the recovering demand and consumption from the on-premise channels as well as the gradually increasing demand from the travel retail channel resulting from the easing community restrictions. Some price adjustments on certain product SKUs also contributed to the revenue uplift.

Income from operations, increased to P551.41 million in 2023 or 30.47% growth from last year’s P422.64 million principally driven by improved gross margins and sustained strategic costs and expense management including its marketing and distribution costs.

As a result, net income for the year grew by 26.47% from P332.54 million in 2022 to P420.58 million in 2023.

Specialty Retail

Office Warehouse

Sales revenues amounted to P555.95 million in 2023 which grew by 42.5% compared to the 2022 revenue of P390.12 million which reflects a recovering consumer demand during the year on account of the continued easing of mobility restrictions and continued operations of its stores network. Same store sales registered a positive growth of 37.92% driven by a strong customer traffic count and recovering from a negative growth of 9.34% in 2022.

The company also capitalized on the back-to-school season big time savings promo to augment its sales performance.

Net income in 2023 amounted to about P28.49 million which increased by P12.07 million or 73.56% as compared to the net income contribution in 2022 amounting to P16.41 million.

The segment's revenues in the same period of 2022 were affected by the heightened community restrictions and lockdowns imposed from January 15, 2022 to February 15, 2022 due to the extraordinary surge in infection rate caused by the Omicron variant of the Covid-19 virus.

Consolidated Statements of Financial Position

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

(In Thousands)	Q12023	%	FY2022	%	INCREASE (DECREASE)	%
Cash and cash equivalents	**46,885,899**	22.38%	59,682,265	27.31%	**(12,796,366)**	-21.44%
Receivables - net	**5,544,737**	2.65%	6,363,575	2.91%	**(818,838)**	-12.87%
Financial asset at FVOCI	**6,570**	0.00%	6,570	0.00%	**-**	-
Financial asset at FVPL	**4,623,854**	2.21%	4,299,380	1.97%	**324,474**	7.55%
Inventories	**37,892,943**	18.09%	34,697,639	15.88%	**3,195,303**	9.21%
Due from related parties	**60,139**	0.03%	60,502	0.03%	**(363)**	0.00%
Prepayments and other current assets	**3,781,081**	1.81%	4,922,909	2.25%	**(1,141,827)**	-23.19%
TOTAL CURRENT ASSETS	**98,795,223**	47.16%	110,032,840	50.35%	**(11,237,617)**	-10.21%
Property and equipment - net	**40,206,598**	*19.19%*	39,018,477	*17.85%*	**1,188,121**	3.05%
Right-of-use assets	**28,802,699**	*13.75%*	28,378,873	*12.99%*	**423,826**	1.49%
Investment properties - net	**9,344,916**	*4.46%*	9,584,048	*4.39%*	**(239,132)**	-2.50%
Intangibles and goodwill - net	**21,067,868**	*10.06%*	21,053,981	*9.63%*	**13,888**	0.07%
Investments	**5,859,167**	*2.80%*	5,908,813	*2.70%*	**(49,645)**	-0.84%
Deferred oil and mineral exploration costs	**10,675**	*0.01%*	10,647	*0.00%*	**28**	0.27%
Deferred tax assets-net	**1,297,675**	*0.62%*	1,247,251	*0.57%*	**50,424**	4.04%
Other non-current assets	**4,090,590**	*1.95%*	3,302,478	*1.51%*	**788,112**	23.86%
TOTAL NONCURRENT ASSETS	**110,680,189**	*52.84%*	108,504,567	*49.65%*	**2,175,622**	2.01%
TOTAL ASSETS	**209,475,411**	*100.00%*	218,537,406	*100.00%*	**(9,061,995)**	-4.15%
Accounts payable and accrued expenses	**16,733,652**	*7.99%*	28,259,649	*12.93%*	**(11,525,997)**	-40.79%
Income tax payable	**1,988,680**	*0.95%*	1,109,767	*0.51%*	**878,913**	79.20%
Short-term loans payable	**18,000**	*0.01%*	148,000	*0.07%*	**(130,000)**	-87.84%
Current portion of long-term borrowing	**120,000**	*0.06%*	120,000	*0.05%*	**-**	-
Lease liability	**1,525,173**	*0.73%*	1,470,464	*0.67%*	**54,710**	3.72%
Due to related parties	**3,369,293**	*1.61%*	5,436,169	*2.49%*	**(2,066,876)**	-38.02%
Other current liabilities	**1,036,269**	*0.49%*	842,831	*0.39%*	**193,438**	22.95%
TOTAL CURRENT LIABILITIES	**24,791,067**	*11.83%*	37,386,879	*17.11%*	**(12,595,811)**	-33.69%
Retirement benefit liability	**1,058,104**	*0.51%*	1,058,107	*0.48%*	**(3)**	0.00%
Lease liability-net of current portion	**34,988,175**	*16.70%*	34,455,564	*15.77%*	**532,611**	1.55%
Long term loans payable - net of debt issue cost	**11,549,627**	*5.51%*	11,545,793	*5.28%*	**3,834**	0.03%
Other non-current liabilities	**1,223,720**	*0.58%*	1,285,168	*0.59%*	**(61,448)**	-4.78%
TOTAL NONCURRENT LIABILITIES	**48,819,626**	*23.31%*	48,344,633	*22.12%*	**474,994**	0.98%
TOTAL LIABILITIES	**73,610,694**	*35.14%*	85,731,511	*39.23%*	**(12,120,818)**	-14.14%
Capital stock	**7,405,264**	*3.54%*	7,405,264	*3.39%*	**-**	-
Additional paid-in capital	**9,640,491**	*4.60%*	9,640,491	*4.41%*	**-**	-
Retirement benefit reserve	**270,835**	*0.13%*	270,835	*0.12%*		-
Other reserves	**2,252**	*0.00%*	2,375	*0.00%*	**(123)**	-5.20%
Treasury shares	**(1,903,492)**	*-0.91%*	(1,866,402)	*-0.85%*	**(37,090)**	1.99%
Retained earnings	**73,400,157**	*35.04%*	71,621,881	*32.77%*	**1,778,276**	2.48%
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY	**88,815,508**	*42.40%*	87,074,444	*39.84%*	**1,741,064**	2.00%
NONCONROLLING INTEREST	**47,049,210**	*22.46%*	45,731,451	*20.93%*	**1,317,759**	2.88%
TOTAL EQUITY	**135,864,717**	*64.86%*	132,805,895	*60.77%*	**3,058,823**	2.30%
TOTAL LIABILITIES AND EQUITY	**209,475,411**	*100.00%*	218,537,406	*100.00%*	**(9,061,995)**	-4.15%

Current Assets

As at March 31, 2023 and December 31, 2022, total current assets amounted to P98.79 Billion or 47.16% of total assets and P110.03 or 50.35% of total assets, respectively, for a decrease of P11.24 Billion or 10.21%.

Cash and cash equivalents amounted to P46.88 Billion as at March 31, 2023 with a decrease of P12.80 Billion or 21.44% from December 31, 2022 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 2022 cash dividends, loan settlements, acquisition of additional investments and payments for capital expenditures during the year.

Receivables decreased by 12.87% from December 31, 2022 balance of P6.36 Billion to this year's balance of P5.54 Billion due mainly to the net effect of increase sales and collections made on trade and non-trade receivables.

Financial assets at fair value through profit or loss (FVPL) increased by P324.47 million from December 31, 2022 balance of P4.30 billion to this year's balance of P4.62 billion due mainly to additional investments in government securities during the period by Grocery Retail segment.

Inventories increased by 9.21% or P3.19 billion from 2022 balance of P34.70 Billion to this year's balance of P37.89 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, Liquor Distribution and Specialty Retail segments. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P30.15 billion.

Prepaid expenses and other current assets decreased by P1.14 billion or 23.19% at the end of March 2023, mainly due to application of advance payments to suppliers against shipments.

Due from related parties amounted to P60.50 million at the end of March 2023.

Non-current Assets

As at March 31, 2023 and December 31, 2022, total non-current assets amounted to P110.68 Billion or 52.84% of total assets, and P108.50 billion or 49.65% of total assets, respectively, for an increase of P2.17 billion or 2.01%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P1.19 billion from P39.02 Billion in December 2022 to P40.21 Billion in March 2023 due principally to additional capital expenditures pertaining to new organic stores and warehouse clubs established by the Grocery Retail Segment during the year as well as properties acquired as a result of business combination involving the segment's warehouse club business.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P423.83 million from P28.38 Billion in December 2022 to P28.80 billion in March 2023 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to rental properties including land, buildings and equipment owned by the Real Estate segment. Book values of investment properties amounted to P9.34 Billion in March 2023.

Investments decreased by P49.64 million from P5.91 billion in December 2022 to P5.86 billion in March 2023 due to accruals of corresponding equity accounted share in net income (losses) of investee companies.

Deferred tax assets increased by P50.42 million from P1.25 billion in December 2022 to P1.28 billion in March 2023 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized and retirement benefits.

Other non-current assets increased by P788.11 million from P3.30 Billion in December 2022 to P4.09 billion in March 2023. About 80% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to net effect of additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline and reversal of accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at March 31, 2023 and December 31, 2022, total current liabilities amounted to P24.79 billion and P37.37 billion respectively, for a decrease of P12.59 billion or 33.69%.

About 78% of **accounts payable and accrued expenses** pertains to the trade payables 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 P11.52 billion or 40.79% was primarily due to the effect of payments of trade and non-trade liabilities and settlement of dividends declared by the Grocery Retail segment and Parent Company in December 2022.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P878.91` million from P1.11 billion as at December 2022 to P1.99 billion as at March 31, 2023 is mainly due to higher taxable net income during 2023 vs 2022.

Short-term loans payable account decreased by P130.0 million mainly due to settlement of bank loan by the Liquor Distribution segment.

Current maturities of long-term loans due within one year amounted to P120 Million as at March 31, 2023 and December 31, 2022 representing the current portion of the long-term corporate notes issued by the Grocery Retail segment.

Lease liabilities due within one year account increased by P54.71 million from P1.47 million in December 2022 to P1.52 billion in March 2023 due principally to the net effect of additional leases, interest expense amortization and lease payments made during the current period.

Due to related parties decreased by P2.07 billion mainly due to the settlement of amount payable to related parties in relation to the property acquired by the Grocery Retail segment and portion on the unpaid balance relating to the equity investments acquired in Bodegas by the Liquor Distribution segment.

Other current liabilities increased by 22.95% from P842.93 million as at December 31, 2022 to P1.03 billion as at March 31, 2023 relatively due to receipt of advances from suppliers intended for future promotional activities by the Grocery Retail segments.

Noncurrent Liabilities

As at March 31, 2023 and December 31, 2022, total non-current liabilities amounted to P48.82 billion and P48.34 billion, respectively, for an increase of P474.99 million or 0.98%.

Long-term loans payable-net of current portion amounted to P11.54 billion as at March 31, 2023.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by all the business 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 P532.61 million from P34.45 billion in December 2022 to P34.99 Billion in March 2023 due principally to the net effect of additional leases, interest expense amortization and lease payments made during the period.

Retirement benefit liability amounted to P1.06 billion as at March 31, 2023.

Other non-current liabilities decreased by P61.45 million from P1.28 billion in December 2022 to P1.22 billion as at March 31, 2023 due to recognition of customer deposits and advance rentals by the Real Estate segment and accrued fixed assets by the Grocery Retail segment.

Equity

As at March 31, 2023 and December 31, 2022, total equity amounted to P135.86 billion and P132.80 billion, respectively, for an increase of P3.06 billion or 2.30%.

Treasury shares increased by P37.09 million from P1.87 billion in December 2022 to P1.90 billion as at March 31, 2023 due to additional buyback by the Parent Company and Grocery Retail segment during the period pursuant to its existing share buyback programs.

Retained earnings increased by P1.78 Billion or 2.48% from P71.62 billion in December 2022 to P73.40 billion as at March 31, 2023 representing net income realized by the Group during the period.

Non-controlling interest increased by P1.32 billion or 2.88% from P45.73 billion in December 2022 to P47.05 billion as at March 31, 2023 mainly due to share in the consolidated profit.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	Periods ended March 31	
(In thousands)	**2023**	2022
Net cash flows used in operating activities	**(P4,118,431)**	(P3,105,092)
Net cash flows used in investing activities	**(2,170,810)**	(3,807,006)
Net cash flows used in financing activities	**(6,507,125)**	(3,200,642)
Net decrease in cash and cash equivalents	**(P12,796,366)**	(P10,112,740)

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

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment’s new stores expansion and capital expenditures by the Real Estate segment, additional investments in government securities during period.

Net cash used in financing activities principally resulted from the net settlements of bank loans and interest by Liquor Distribution and Grocery Retail segments, repayment of principal and interest by the group relating to lease liability, payment of 2022 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

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

Material Events and Uncertainties

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

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

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

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

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

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

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

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this First Quarterly Financial Statement of Cosco Capital, Inc. and its subsidiaries for the year 2023 to be signed on its behalf by the undersigned thereunto duly authorized.

May 12, 2023 in the City of Manila

COSCO CAPITAL, INC.

By:

LEONARDO B. DAYAO
President

TEODORO A. POLINGA
Comptroller

SECTION A

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

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COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2023 and December 31, 2022

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		March and December 31	
	Note	**2023 (Unaudited)**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P46,885,899**	P59,682,265
Receivables - net	*5*	**5,544,737**	6,363,575
Inventories	*6, 20*	**37,892,943**	34,697,639
Financial assets at fair value through profit or loss	*7*	**4,623,854**	4,299,380
Financial assets at fair value through other comprehensive income	*8*	**6,570**	6,570
Due from related parties	*25*	**60,139**	60,502
Prepaid expenses and other current assets	*9*	**3,781,081**	4,922,909
Total Current Assets		**98,795,223**	110,032,840
Noncurrent Assets			
Investment in associates and joint ventures	*10*	**5,859,167**	5,908,813
Right of use of assets - net	*21*	**28,802,699**	28,378,873
Property and equipment - net	*11*	**40,206,598**	39,018,477
Investment properties - net	*12*	**9,344,916**	9,584,048
Goodwill and other intangibles - net	*13*	**21,067,868**	21,053,981
Deferred tax assets - net	*27*	**1,297,675**	1,247,250
Deferred oil and mineral exploration costs - net	*14*	**10,675**	10,647
Other noncurrent assets	*15*	**4,090,590**	3,302,477
Total Noncurrent Assets		**110,680,189**	108,504,566
		P209,475,411	P218,537,406

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*16*	**P16,733,652**	P28,258,714
Income tax payable		**1,988,680**	1,109,767
Lease liabilities due within one year	*21, 25*	**1,525,173**	1,470,464
Short-term loans	*17*	**18,000**	148,000
Current maturities of long-term loans due within one year	*17*	**120,000**	120,000
Due to related parties	*25*	**3,369,293**	5,436,169
Other current liabilities	*18*	**1,036,269**	842,831
Total Current Liabilities		**24,791,067**	37,386,879

Forward

		March and December 31	
	Note	**2023 (Unaudited)**	2022
Noncurrent Liabilities			
Long-term loans	*17*	**P11,549,627**	11,545,793
Lease liabilities	*21, 25*	**34,988,175**	34,455,564
Retirement benefits liability	*26*	**1,058,104**	1,058,107
Other noncurrent liabilities	*18, 21*	**1,223,720**	1,285,168
Total Noncurrent Liabilities		**48,819,626**	48,344,632
Total Liabilities		**73,610,694**	85,731,511
Equity			
Capital stock	*28*	**7,405,264**	7,405,264
Additional paid-in capital		**9,640,491**	9,640,491
Treasury stock	*28*	**(1,903,492)**	(1,866,402)
Retirement benefits reserve	*26*	**270,835**	270,835
Other reserve		**2,252**	2,375
Retained earnings		**73,400,157**	71,621,881
Total Equity Attributable to Equity Holders of the Parent Company		**88,815,508**	87,074,444
Noncontrolling Interests	*28*	**47,049,210**	45,731,451
Total Equity		**135,864,717**	132,805,895
		P209,475,411	P218,537,406

See Notes to the Consolidated Financial Statements.

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

	Note	2023 (Unaudited)	2022
		Periods Ended March 31	
REVENUES	*19, 29*		
Net sales		**P47,181,815**	P40,423,070
Rent		**295,387**	257,157
		47,477,202	40,680,227
COST OF REVENUES	*20*		
Cost of goods sold		**37,732,810**	32,036,186
Cost of rent		**154,152**	146,995
		37,886,962	32,183,181
GROSS INCOME		**9,590,240**	8,497,046
OTHER REVENUE	*19, 22*	**764,838**	708,412
TOTAL GROSS INCOME AND OTHER REVENUE		**10,355,078**	9,205,458
OPERATING EXPENSES	*23*	**5,974,427**	5,142,268
INCOME FROM OPERATIONS		**4,380,651**	4,063,190
OTHER INCOME (CHARGES)			
Interest expense	*17, 21*	**(737,600)**	(627,206)
Interest income	*4, 25*	**343,692**	92,561
Others - net	*24*	**(17,885)**	158
		(411,793)	(534,488)
INCOME BEFORE INCOME TAX		**3,968,859**	3,528,702
PROVISION FOR INCOME TAXES	*27*	**872,824**	822,688
NET INCOME		**P3,096,035**	P2,706,014
Net income attributable to:			
Equity holders of the Parent Company		**P1,778,277**	P1,537,641
Noncontrolling interests	28	**1,317,758**	1,168,373
		P3,096,036	P2,706,013
Basic/diluted earnings per share attributable to equity holders of the Parent Company	*30*	**P0.2564**	P0.2214

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands except Per Share Data)

	Note	Periods Ended December 31 2023 (Unaudited)	2022
NET INCOME		**P3,096,036**	**P2,706,014**
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will never be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefits		**-**	861
Translation adjustment		**(123)**	
Unrealized gain (loss) on financial assets	*8*	**-**	
Share in other comprehensive of associates and joint ventures		**-**	
Income tax effect		**-**	-
		(123)	861
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P3,095,911**	P2,706,875
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**P1,778,181**	P1,613,192
Non-controlling interests	*28*	**1,317,731**	1,093,683
		P3,095,911	P2,706,875

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, 2021	P7,405,264	P9,634,644	(P1,652,861)	P52,651	P1,860	P65,943,338	P74,225,347	P35,554,275	**P123,093,713**
Total comprehensive income for the period									
Net income for the period	-	-	-	-	-	1,537,641	1,537,641	1,168,373	**2,706,014**
Other comprehensive income	-	-	-	-	861	-	861	-	**861**
	-	-	-	-	-	1,537,641	1,538,502	1,168,373	**2,706,875**
Acquisition of treasury shares	-	-	(67,458)	-	-	-	(67,458)	-	**(67,458)**
Balance at March 31, 2022	**P7,405,264**	**P9,634,644**	**(P1,802,061)**	**P52,651**	**P2,721**	**P67,480,979**	**P82,774,198**	**P42,958,932**	**P125,733,130**
Balance at December 31, 2022	**P7,405,264**	**P9,640,491**	**(P1,866,402)**	**P270,835**	**P2,375**	**P71,621,881**	**P87,074,444**	**P45,731,451**	**P132,805,895**
Total comprehensive income for the period									
Net income for the period	-	-	-	-	-	1,778,276	1,778,276	1,317,758	**3,096,034**
Other comprehensive income	-	-	-	-	(123)		(123)		**(123)**
	-	-	-	-	(123)	1,778,276	1,778,154	1,317,758	**3,095,912**
Acquisition of treasury shares	-	-	(37,090)	-	-	-	(37,090)	-	**3,095,912**
Balance at March 31, 2023	**P7,405,264**	**P9,640,491**	**(P1,903,492)**	**P270,835**	**P2,252**	**P1,778,276**	**P88,815,507**	**P47,049,210**	**P135,864,717**

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	**2023 (Unaudited)**	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P3,968,859**	P3,528,702
Adjustments for:			
Depreciation and amortization	*11, 12, 13, 21*	**1,228,290**	1,117,837
Interest expense	*17, 21*	**737,599**	627,206
Interest income	*4, 25*	**(343,692)**	(92,561)
Retirement benefits cost	*26*	**725**	554
Share in losses (income) of joint ventures and associate	*10, 24*	**49,522**	14,387
Gain from pre-terminated lease contracts	*21, 24*	**(1,829)**	-
Unrealized foreign exchange loss (gain)		**(18,293)**	(3,986)
Gain on insurance claims	*24*	**-**	(2,344)
Dividend income	*25*	**(983)**	(983)
Gain on disposal of property and equipment	*24*	**-**	(150)
Unrealized loss (gain) on financial assets at FVPL	*7, 24*	**(4,119)**	(3,486)
Loss (gain) from sale of financial assets through profit or loss	*7, 24*	**(6,524)**	-
Operating income before changes in working capital		**5,609,555**	5,185,176
Decrease (increase) in:			
Receivables		**818,838**	(174,419)
Inventories		**(3,195,180)**	(2,463,249)
Prepaid expenses and other current assets		**1,102,659**	(753,020)
Due from related parties		**363**	-
Increase (decrease) in:			
Accounts payable and accrued expenses		**(8,875,748)**	(4,647,120)d
Due to related parties		**(66,876)**	(33,760)
Other current liabilities		**187,613**	(240,522)
Other noncurrent liabilities		**(61,448)**	82,090
Cash generated from operations		**(4,480,224)**	(3,197,331)
Interest received	*4*	**343,692**	92,561
Retirement benefits paid	*26*	**(193)**	(4,308)
Net cash provided by operating activities		**(4,136,725)**	(3,109,078)

Forward

	Note	2023 (Unaudited)	2022
		Periods Ended March 31	
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Financial assets at fair value through profit or loss		**(1,300,000)**	(3,000,883)
Property and equipment	*11*	**(1,483,397)**	(P756,652)
Investment properties	*12*	**(131,814)**	
Intangibles	*13*	**(27,445)**	(30,273
Deferred mineral and oil exploration		**(28)**	(3,484)
Proceeds from (payments of):			
Disposal of property and equipment		**-**	3,914
Insurance claims	*24*	**-**	2,344
Sale of financial assets through profit or loss	*7*	**986,170**	-
Decrease (increase in) other noncurrent assets		**(215,278)**	(22,956)
Dividends received	*25*	**983**	983
Net cash from (used in) investing activities		**(2,170,809)**	(3,807,006)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of advances	*25*	**2,000,000**	-
Payments of:			
Short-term loans	*17*	**(130,000)**	(30,000)
Long-term loans	*17*	**-**	-
Interest expense		**(109,673)**	(125,457)
Debt issuance cost			
Repayments of lease:			
Principal amount		**(956,022)**	(846,836)
Interest expense		**(605,622)**	(497,915)
Cash dividends paid		**(2,668,718)**	(1,632,976)
Buyback of capital stock	*28*	**(37,090)**	(67,458)
Net cash provided by (used in) financing activities		**(6,507,125)**	(3,200,642)

Forward

		Periods Ended March 31	
	Note	**2023 (Unaudited)**	2022
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**18,293**	3,986
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(12,796,366)**	(10,112,740)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**59,682,265**	63,860,207
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P46,885,899**	P53,747,467

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The TKHI's principal office, which is also its registered office address, is at 900 Romualdez Street, Paco, Manila.

On December 1, 2022, Kareila Management Corporation acquired 100% ownership of PSMT for a total cost of P112.50 million paid in cash. The acquisition was accounted for under the pooling of interest method, which resulted in the recognition of additional paid-in capital ("APIC") amounting to P11.9 million in the consolidated financial statements. This represents mainly the excess of the P124 million net assets acquired over the cash consideration.

The financial information of PSMT as at the date of acquisition and for the eleven months period ending December 1, 2022 are as follows:

Current assets	**P103,628,388**
Noncurrent assets	**5,564,215,023**
Current liabilities	**4,027,564,579**
Noncurrent liabilities	**1,516,245,211**

Majority of PSMT's assets pertain to property and equipment amounting to P4.3 billion and right-of-use asset amounting to P1.2 billion while majority of its liabilities pertain to advances from a stockholder amounting to P4 billion and lease liability amounting to P1.5 billion.

For the month ended December 31, 2022, PSMT contributions to the Group's revenue and net income are negligible. If the acquisition had occurred on January 1, 2022, the effect on consolidated revenue net income is also negligible.

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			
	2023		2022	
	Direct	**Indirect**	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) and Subsidiaries	**49.23**[(a)]	**-**	49.18[(a)]	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	**-**	**49.23**	-	49.18
• S&R Pizza (Harbor Point), Inc.	**-**	**49.23**	-	49.18
• S&R Pizza, Inc.	**-**	**49.23**	-	49.18
• PSMT Philippines, Inc.	**-**	**49.23**	-	-
▪ PPCI Subic, Inc. (PSI)	**-**	**49.23**	-	49.18
▪ Entenso Equities Incorporated (EEI)	**-**	**49.23**	-	49.18
▪ Melilla Management Corporation	**-**	**49.23**	-	-
▪ Purepadala, Inc.	**-**	**49.23**	-	49.18
Liquor Distribution				
The Keepers Holding Inc. (TKHI)	**77.54**[(b)]	**-**	77.54[(b)]	-
Montosco, Inc.	**-**	**77.54**	-	77.54
Meritus Prime Distributions, Inc.	**-**	**77.54**	-	77.54
Premier Wine and Spirits, Inc.	**-**	**77.54**	-	77.54
Real Estate and Property Leasing				
Nation Realty, Inc.	**100**	**-**	100	-
Patagonia Holdings Corp.	**100**	**-**	100	-
Ellimac Prime Holdings, Inc. (EPHI)	**100**	**-**	100	-
Fertuna Holdings Corp.	**100**	**-**	100	-
Pure Petroleum Corp.	**100**	**-**	100	-
NE Pacific Shopping Centers Corporation (NPSCC)	**100**	**-**	100	-
Specialty Retail				
Office Warehouse, Inc. and a Subsidiary	**100**	**-**	100	-
▪ Office Warehouse (Harbor Point), Inc.	**-**	**100**	-	100
Canaria Holdings Corporation (CHC) and Subsidiaries [(b)]	**90**	**-**	90	-
Oil and Mining				
Alcorn Petroleum and Minerals Corporation (APMC)	**100**	**-**	100	-

[(a)] *PPCI acquisition of its own shares resulted in 2021 in the increase in Cosco's ownership interest.*

[(b)] *The share swap with TKHI and FOO of THKI FOO in 2021 resulted in the dilution of Cosco's ownership in TKHI, Montosco, Meritus and Premier which the equity holders of Cosco realized a net gain on dilution amounting to P1.6 billion.*

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on May 9, 2023.

Historical cost is used as the measurement basis except for:

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

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

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

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

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

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

Determining the Term and Discount Rate of Lease Arrangements (Note 21)
Where the Group is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

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

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

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

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

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

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

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

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

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

Rent income recognized in profit or loss amounted to P0.295 billion, P0.257 billion in 2023 and 2022, respectively.

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

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

As at March 31, 2023 and December 31, 2022, the carrying amount of receivables amounted to P5.54 billion and P6.4 billion while the allowance for impairment losses amounted to P126.07 million and P113.2 million, respectively.

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

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

The carrying amount of inventories amounted to P37.89 billion and P34.9 billion as at March 31, 2023 and December 31, 2022.

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

The carrying amounts of goodwill and other intangibles with indefinite useful lives totaled P20.9 billion as at March 31, 2023 and December 31, 2022.

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

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

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

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

The impairment indicators affecting the Group's wells/platform under property and equipment and deferred oil and mineral exploration costs are lack of significant progress and final plug/abandonment of production wells as at Mach 31, 2023 and December 31, 2022. These resulted in impairment losses on property and equipment of P160 million in 2020 and deferred oil and mineral exploration costs of P128.1 million in 2019 (see Notes 11 and 14).

As at March 31, 2023 and December 31, 2022, the following are the carrying amounts of nonfinancial assets:

	Note	**2023**	2022
Property and equipment - net	*11*	**P40,206,598**	P39,018,477
Right-of-use assets - net	*21*	**28,802,699**	28,378,873
Investment properties - net	*12*	**9,344,916**	9,584,048
Investments in associates and joint ventures	*10*	**5,859,167**	5,908,813
Computer software and licenses, and leasehold rights	*13*	**215,228**	201,340

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, 2023 and December 31, 2022, the Group recognized net deferred tax assets amounting to P1.30 billion and P1.25 billion, respectively.

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

Retirement benefits liability amounted to P1.0 billion billion as at March 31, 2023 and December 31, 2022.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards and Frameworks
The Group adopted the following relevant amendments to standards and frameworks starting January 1, 2022 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Standards Issued but Not Yet Adopted</u>
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements .

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

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

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

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

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

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

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

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

Effective January 1, 2024

- *Lease Liability in a Sale and Leaseback (Amendments to PFRS 16 Leases).* The amendments confirm the following:

    - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

    - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

    A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.
    The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- *Classification of Liabilities as Current or Non-current – 2020 amendments and Non-Current Liabilities with Covenants – 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

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

  The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 Consolidated Financial Statements and PAS 28 Investments in Associates and Joint Ventures).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the Financial Reporting Standards Council decided to postpone the effective date of these amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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.

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.

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.

Segment Reporting
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and the President, collectively as the Group's chief operating decision maker. The Group assessed that its retailing business as a whole represents a single segment.

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

Financial Instruments
Financial Assets
Financial assets are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Group transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Regular-way purchases and sales of financial assets

in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Group). At initial recognition, the Group measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The financial asset is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. For debt instruments, interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other gains and losses recognized in OCI. Accumulated gains or losses recognized through other comprehensive income are reclassified to profit or loss when the asset is derecognized.

For equity investments, dividends are recognized in profit or loss while other gains and losses are recognized in OCI and are never reclassified to profit or loss.

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

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

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

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

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

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

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

As of December 31, 2022 and 2021, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

The Group's investments in equity securities and government securities are included under this category (see Note 10).

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

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

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

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

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.

(d) financial guarantee contracts and commitments to provide a loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables, short-term loans, long-term loans, lease liabilities, due to related parties and customers' deposits are generally included in this category.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

<u>Fair Value Measurements</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories include merchandise inventories, liquors, wines and spirits. Costs incurred in bringing each inventory to its present location and condition are accounted as follows:

Merchandise inventories	-	Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using moving average method
Liquors, wines and spirits.	-	Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using first-in, first-out method

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Investment in Joint Arrangements and Associates

Investment in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where the Group has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Group accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the Group has rights to the net assets of the arrangement and, therefore, the Group equity accounts for its interest.

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. Associates are accounted for using the equity method.

Under the equity method, investment in associates and joint ventures are measured initially at cost and subsequently adjusted for post-acquisition changes in the Group's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial amounts of the associates and joint ventures to ensure consistency with the accounting policies of the Group. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of Group's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Property and Equipment

Property and equipment, excluding land and construction in progress, are carried at cost less accumulated depreciation, and impairment losses, if any. Land is carried at cost. Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized in profit or loss.

Depreciation are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Buildings	15 - 30
Furniture and fixtures	2 - 20
Office and store equipment	2 - 15
Transportation equipment	3 - 5

Wells, platforms and other facilities comprising oil and gas property represents the Group's share in the Service Contract (SC) 14's total capitalized exploration and development expenditures. These are depreciated using the unit-of-production method based upon estimates of proven developed reserves. Proven developed reserves are the portion of reserves that are reasonably certain to be produced and sold during the remaining period of existing production licenses and agreements. The effect of revisions of previous estimates of proved developed reserves is taken up prospectively in the unit-of-production calculation. Estimates of decommissioning and abandonment costs, which are accrued based on unit-of-production rate, which depends on approved budget and reserve estimates, are also included in the wells, platforms and other facilities account as these costs are treated as recoverable costs to be deducted from oil sales proceeds prior to remittance of government share as indicated in the agreement among Consortium members under the SC.

Leasehold improvements are amortized over 3 to 20 years or the lease term, whichever is shorter.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.
The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Investment Properties

Investment properties consist of land and buildings held to earn rentals. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the costs of replacing part of an existing investment property at the time the costs are incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing an investment property. Investment properties, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is stated at cost less any accumulated impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

	Number of Years
Land improvements	25
Buildings	10 - 50

The remaining useful lives and depreciation method are reviewed periodically to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from buildings and land improvements.

Buildings in progress which represents properties under construction are stated at cost and depreciated only from such time as the relevant assets are completed and put into operational use. Upon completion, these properties are classified to the relevant investment property or property and equipment account.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to earn rentals.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of, or when investment properties are permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Construction in Progress

Construction in progress, which are stated at cost, are properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, which are carried at cost less any recognized impairment loss. This includes the costs of construction and other direct costs.

These assets are not depreciated until such time that the relevant assets are completed and available for use.

Assets Held for Sale

Noncurrent assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be primarily through sale rather through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, any equity-accounted investee is no longer equity accounted.

Intangible Assets

Goodwill and Impairment of Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition. It is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Group at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of associates and joint ventures is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less amortization and any impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives of 10 to 15 years for computer software and licenses and 20 years for leasehold rights, and tested for impairment whenever there is an indication that they may be impaired. The amortization period and method is reviewed at each financial year-end.

Impairment of Non-current Assets Other than Goodwill

The Group assesses whether there is any indication that the property and equipment, right-of-use assets, investments, and intangible assets with finite lives may be impaired. The Group performs impairment testing where there are indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in the Group's profit or loss.

Similarly, the Group reviews annually whether there is an indication that recognized impairment losses no longer exists or decreased. A reversal of an impairment loss is recognized immediately as a credit to the Group's profit or loss.

Deferred Oil and Mineral Exploration Costs

Deferred oil and exploration costs are accounted for using the full-cost method, where all acquisition, exploration and development costs are capitalized as deferred costs when incurred and on the basis of each contract area. Where oil and gas of commercial quantity is produced, the exploration and development costs are reclassified to and capitalized as wells, platforms and other facilities under the "Property and equipment" account. Producing and non-producing contract areas are evaluated periodically and considering a number of factors, a determination is made whether it is probable that a significant impairment of the carrying cost of deferred oil and mineral exploration costs of each contract area has occurred. If impairment is believed to have occurred, a further analysis is performed to determine the impairment to be recorded for specific contract areas.

If the Group abandons all exploration efforts in a contract area where there are no proven reserves, all acquisition and exploration costs associated with the contract area are recognized in profit or loss. A contract area is considered abandoned if the contract has expired and/or there are no definite plans for further exploration and development.

Proceeds from the sale of crude oil lifted from an area under production testing during the exploration stage are applied against deferred oil exploration costs.

Expenditures for mineral exploration and development work are capitalized as deferred costs when incurred. These expenditures are provided for with an allowance for when there are indications that the exploration results are negative. These are recognized in profit or loss when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the exploration costs and subsequent development costs are capitalized and amortized using the unit of production method from the start of commercial operations.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Cost

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, if any.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group has a non-contributory multi-employer plan which is accounted for as a defined benefit plan. The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Group's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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. Additional paid-in capital also includes excess of book value of the net assets acquired over the consideration paid for acquired entity.

Retained Earnings and Dividend Distribution

Retained earnings include all current and prior period results as reported in profit or loss, prior period adjustments less declaration of dividends.

Dividend distribution to the Group's shareholders is recognized as a liability and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

Treasury Stock
Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares of stock are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is charged to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares of stock were issued and to retained earnings for the remaining balance.

Other Comprehensive Income
Other comprehensive income are items of income and expense (including reclassification adjustments, if any) such as remeasurements of defined benefit plans that are not recognized in profit or loss as required or permitted by the related accounting standards.

Revenue Recognition
The Group identifies each distinct performance obligation to transfer goods (or bundle of goods) or services. The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring the control of goods or services to the customer. The transaction price is the amount of consideration the Group expects to receive under the arrangement. The Group concluded that it is acting as principal for all its revenue arrangements below, except for concession fee income and other rental income.

- *Merchandise Sales* - The Group generally recognizes sale of merchandise at the point of sale when customer takes possession of goods and tenders payment. At point of sale, the performance obligation is satisfied because control of the merchandise transfers to the customer. Revenue is recorded at the point of sale based on the transaction price on the merchandise tag, net of any applicable discounts, sales taxes and refunds. For e-commerce sales, the Group recognizes sales upon delivery of goods through its online channel.

- *Concession Fee Income* - The Group enters into certain agreements with concessionaires that offer goods to the Group's customers. In exchange, the Group receives payment in the form of commissions based on a specified percentage of the merchandise sales. The Group serves as agent in these contracts and recognizes the net amount earned as commissions in the period in which the event or condition that triggers the payment occurs.

- *Membership* - The Group charges a membership fee to its customers. The fee allows the customer to shop in the Group's stores for the duration of the membership, which is generally 12 months. The Group recognizes the fee in the period in which it occurs.

- *Gift Certificates* - The Group recognizes revenue from the sale gift certificates when the gift certificate is redeemed by customer.

- *Other Income* - The Group recognizes various incidental income in the period in which the services/goods were rendered/delivered.

PIC Q&A 2018-12-H Accounting for Common Usage Service Area (CUSA) Charges
The interpretation issued by the Philippine Interpretations Committee (PIC) serves as a guidance on some implementation issues brought about by adoption of PFRS 15, *Revenue from Contracts with Customer's* on the real estate industry.

The interpretation is approved on February 14, 2018, with an option to defer the application of the provisions for a period of three (3) years. The Group adopted this interpretation starting January 1, 2019

Contract Balances
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The sales activities of the Group do not result in a material amount of unperformed obligations of the Group and, therefore, no contract assets are recognized separately from receivables.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group does enter into transactions with customers where contract liabilities result from consideration being received from the customer prior to the Group satisfying its performance obligations. These contract liabilities are presented on the statement of financial position and in the notes as unredeemed gift certificate liabilities.

<u>Cost and Expense Recognition</u>
The Group's cost of sales includes the direct costs of sold merchandise, which includes custom, taxes, duties and inbound shipping costs, inventory shrinkage and adjustments and reserves for excess, aged and obsolete inventory. Cost of sales also includes certain distribution center costs.

Vendor Rebates and Allowances
The Group receives various types of cash consideration from vendors, principally in the form of rebates, based on purchasing or selling certain volumes of product, time-based rebates or allowances, which may include product placement allowances or exclusivity arrangements covering a predetermined period of time, price protection rebates and allowances for retail price reductions on certain merchandise and salvage allowances for product that is damaged, defective or becomes out-of-date.

Such vendor rebates and allowances are recognized based on a systematic and rational allocation of the cash consideration offered to the underlying transaction that results in progress by the Group's toward earning the rebates and allowances, provided the amounts to be earned are probable and reasonably estimable. Otherwise, rebates and allowances are recognized only when predetermined milestones are met. The Group recognizes product placement allowances also as a reduction of cost of sales in the period in which the product placement is completed. Time-based rebates or allowances are recognized as a reduction of cost of sales over the performance period on a straight-line basis. All other vendor rebates and allowances are recognized as a reduction of cost of sales when the merchandise is sold or otherwise disposed.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  - the Group has the right to operate the asset; or

  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

As a Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove or restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable Lease Payments
Variable lease payments not based on an index or rate are not part of the lease liability. These include payments linked to a lessee's performance derived from the underlying asset. Such payments are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

Lease Modifications as a Lessee
The Group accounts for a lease modification as a separate lease if both the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the standalone price and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group allocates the consideration in the modified contract based on stand-alone prices, determines the lease term and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group makes a corresponding adjustment to the right-of-use asset for all other lease modifications.

Short-term Leases and Leases of Low-value Assets
The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor
When the Group act as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.
To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risk and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is

finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies exemption described above, then it classifies sub-lease as operating lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs are recognized as expenses when incurred, except to the extent capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Income Taxes

Current tax and deferred tax are recognized in the statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Uncertainties related to taxes that are not income taxes are recognized and measured in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* unless they are dealt with specifically in another standard.

Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Accounts payable and accrued expenses” in the consolidated statements of financial position.

<u>Foreign Currency Transactions and Translation</u>
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***	**2023**	2022
Cash on hand		**P441,248**	P1,714,771
Cash in banks	*31*	**22,867,218**	29,607,417
Money market placements	*31*	**23,577,433**	28,360,077
		P46,885,899	P59,682,265

Cash in banks earns interest at the respective bank deposit rates.

Money market placements are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing money market placement rates ranging from 0.2% to 7.0% in 2023 and 1.0% to 1.60% in 2022,.

Interest income earned from cash in banks and money market placements amounted to P343.69 million and P92.56 million in 2023 and 2022, respectively.

5. Receivables

This account consists of:

(In thousands)	***Note***	**2023**	2022
Trade receivables		**P1,798,598**	P4,373,043
Non-trade receivables		**2,948,043**	1,290,302
Interest receivable	*25*	**671,509**	670,706
Others		**252,662**	142,748
		5,670,812	6,476,799
Less allowance for impairment losses on trade receivables		**126,075**	113,224
	31, 32	**P5,544,737**	P 6,363,575

Trade receivables generally have a one-to-30-day credit terms.

Non-trade receivables consists mainly of e-wallet balance, accrued vendor allowance income and rent due from store tenants.

The movements in the allowance for impairment losses in respect of trade receivables are as follows:

(In thousands)	***Note***	**2023**	2022
Beginning balance		**P113,224**	P89,269
Provisions during the year	*23*	**-**	14,192
Adjustment		**(12,851)**	9,763
Reversal		**-**	-
Ending balance		**P(126,075)**	P113,224

6. Inventories

This account consists of groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, wines and liquors, etc.) held for sale in the ordinary course of business on wholesale or retail basis.

The Group's merchandise inventories at cost amounted to P37.8 billion and P34.7 billion as at March 31, 2023 and December 31, 2022, respectively.

Inventories charged to cost of goods sold amounted to P37.7 billion and P32.0 billion in 2023 and 2022, respectively (see Note 20).

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Note	2023	2022
Held-for-trading:	*31*		
Equity securities		**P35,404**	P31,285
Government securities		**4,588,450**	4,268,095
		P4,623,854	P4,299,380

The movements in these securities are as follows:

(In thousands)	*Note*	2023	2022
Cost			
Balance January 1		**P4,284,333**	P15,357
Addition		**1,300,000**	4,268,976
Disposal		**(979,645)**	-
		4,604,688	4,284,333
Valuation Adjustments			
Balance at beginning of year		**15,047**	15,371
Unrealized valuation loss for the year		**4,119**	(324)
Balance at end of year		**19,166**	15,047
	31	**P4,623,854**	P4,299,380

The Group recognized a loss on sale of government securities amounting to P6.52 million in 2023.

Interest income on government securities amounted to P42.1 million and P9.1 million in 2023 and 2022, respectively.

Dividend income on equity securities amounted to P0.7 million in March 2023 and 2022.

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

(In thousands)	*Note*	2023	2022
Investment in common shares			
Quoted	*31, 32*	**P4,883**	P4,883
Unquoted	*31, 32*	**2,304**	2,304
		7,187	7,187
Investment in preferred shares	*31, 32*	**7,262**	7,262
		14,449	14,449
Less current portion		**6,570**	6,570
Non-current portion		**P7,879**	P7,879

The quoted shares are designated as FVOCI.

The unquoted shares represent investment in a private domestic company and club membership shares.

Investment in preferred shares pertain to Manila Electric Company which were acquired in connection with the installation of electrical systems for the various stores and offices of the retail segment.

The movements in this account are as follows:

(In thousands)	**2023**	2022
Balance at beginning of year	**P15,066**	P15,279
Unrealized fair value gains (losses)	**-**	(213)
Balance at end of year	**P15,066**	P15,066

The movements in the cumulative unrealized fair value gain are as follows:

(In thousands)	**2023**	2022
Balance at beginning of year	**P2,964**	P3,177
Unrealized fair value gain (loss) during the year	**-**	(213)
Balance at end of year	**P2,964**	P2,964

9. Prepaid Expenses and Other Current Assets

This account consists of:

(In thousands)	**2023**	2022
Advances to suppliers	**P1,451,179**	P3,278,436
Prepaid expenses	**1,582,811**	1,189,062
Deferred input VAT - current	**225,099**	210,115
Input VAT	**427,562**	205,265
Creditable withholding tax	**57,350**	20,171
Others	**37,080**	19,860
	P3,781,081	P4,922,909

Advances to suppliers will be applied against future purchases of inventory items.

Prepaid expenses consist of the following:

(In thousands)	**2023**	2022
Taxes and licenses	**P1,167,482**	P915,324
Insurance	**147,045**	140,881
Advertising and promotion	**217,928**	65,623
Supplies	**34,856**	8,957
Repairs and maintenance	**10,039**	1,779
Rent	**-**	1,107
Others	**5,461**	55,391
	P1,582,811	P1,189,062

Prepaid taxes and licenses pertain to the unamortized portion of registration fees and other taxes paid to the Government.

Prepaid insurance pertains to the unamortized portion of premiums paid for insurance coverage on merchandise inventories, property and equipment, etc.

Prepaid advertising and promotion pertain to payments made in advance for advertisements and product promotions.

Deferred input VAT represents the unamortized portion of accumulated input taxes for purchases of capital assets more than P1 million and unpaid services for building and leasehold constructions which can be applied against future output VAT when realized or paid.

10. Investment in Associates and Joint Venture

This account consists of:

(In thousands)	**2023**	2022
Associates	**P526,698**	P535,316
Joint ventures	**5,332,469**	5,373,497
	P5,859,167	P5,908,813

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)	**2023**	2022	**2023**	2022
Associates:				
San Roque Supermarkets Retail Systems, Inc. ("SRS")	**49**	49	**P446,277**	446,277
Pernord Ricard Philippines, Inc. ("PERNOD")	**30**	30	**80,421**	89,039
			526,698	P535,316
Joint venture:				
Bodegas	**50**	50	**5,116,862**	P5,157,889
Others	**50**	50	**215,608**	215,608
			P5,859,167	P5,373,497

All associates and joint ventures are incorporated in the Philippines except for Bodegas Williams Humbert SA which is incorporated in Spain.

<u>Investments in Associates</u>

SRS
In 2013, the Group through Entenso acquired 49.34% equity interest in SRS, a local entity that operates the chain of "San Roque Supermarket" stores and "San Roque Pharmacy" stores in Metro Manila and nearby areas. Its principal address is located at 68 Dumalay St., Quirino Highway, Novaliches, Quezon City, 1117.

The changes in the carrying amount of the investment in associate are as follows:

	2023	2022
Balance at beginning of the year	**P446,276,872**	P461,152,697
Share in net loss	**-)**	(14,875,825)
Balance at end of year	**P446,276,872**	P446,276,872

The information presented below summarizes the financial information of San Roque and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment.

	2023	2022*
Percentage of ownership	**49.34%**	49.34%
Current assets	**P588,231,947**	P588,231,947
Noncurrent assets	**788,394,248**	788,394,248
Current liabilities	**(515,403,272)**	(515,403,272)
Noncurrent liabilities	**(555,578,813)**	(555,578,813)
Net assets	**305,644,110**	305,644,110
Group's share in net assets	**150,804,804**	150,804,804
Goodwill	**276,058,136**	276,058,136
Unrecognized share in net loss during the year	**-**	-
Unrecognized share in net loss in prior years	**19,413,932**	19,413,932
Carrying amount of interest in associate	**P446,276,872**	P446,276,872
Net sales	**P -**	P3,778,025,380
Net loss	**-**	(30,149,625)
Group's share in net loss	**P -**	(P14,875,825)

**Unrecognized prior period adjustments based on unaudited amounts*

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.

Investment in Joint Ventures

BODEGAS
In September 2022, the Group through The Keepers Holdings, Inc. acquired a total of 646,775 shares representing 50% equity interest in Bodegas Williams Humbert SA ("Bodegas") for a total consideration of EUR 88.75 million.

Bodegas,is a Spanish company with over 140 years of history producing alcoholic beverages and the producer of "Alfonso," the number one imported brandy in the Philippines and which accounts for about 60% of the sales revenue of the Group's liquor distribution segment.

The following table summarizes the financial information of Bodegas, adjusted for fair value adjustments at acquisition and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment as at March 31, 2023 and December 31, 2022:

	2023	2022
Balance at beginning of year	**5,157,889**	P -
Acquisition of investment	**-**	5,062,513
Share in net income	**(40,904)**	101,092
Depreciation of excess fair value	**-**	(7,398)
Foreign currency translation adjustment	**(123)**	1,683
Balance at end of year	**P5,116,862**	P5,157,889

	2023	2022
Percentage ownership interest	**50%**	50%
Current assets (including cash and cash equivalents of P34,613)	**P6,232,669**	P7,147,957
Noncurrent assets	**2,119,970**	2,120,734
Current liabilities (including current financial liabilities, excluding trade and other payables and provisions of P437,868)	**2,912,360**	3,799,421
Noncurrent liabilities including non-current financial liabilities, excluding trade and other payables and provisions of P349,865)	**324,314**	359,972
Net assets	**5,115,966**	5,109,298
TKHI's share of net assets	**2,557,983**	2,554,649
Goodwill	**1,984,546**	1,984,514
Fair value adjustment	**610,235**	617,709
Unrealized gross profit	**(39,671)**	-
Translation adjustment	**1,560**	1,683
Foreign exchange differences	**2,209**	(666)
Carrying amount of investment in joint venture	**P5,116,862**	P5,157,889

OTHERS

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.

Pure Commerce, Inc.

In 2022, the Group through Entenso partnered with 917Ventures Inc., to incorporate a new company, Pure Commerce, Inc. (Pure Commerce). This is the joint venture vehicle for the operation of an online grocery and e-commerce platform.

The Group and its partner each initially invested P62.5 million or acquired 50% interest in Pure Commerce by subscribing to 62,500,000 common shares at P1.0 par value.

11. Property and Equipment

The movements and balances of this account as at and for the period and years ended March 31 and December 31 consist of:

(In thousands)	***Note***	**Land**	**Buildings**	**Storage Tanks**	**Furniture and Fixtures**	**Office and Store Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Wells, Platforms and Other Facilities**	**Construction in-Progress**	**Total**
Cost											
December 31, 2021		P6,912,215	P10,266,179	P517,848	P3,832,626	P12,333,986	P301,971	P16,406,691	P204,955	P720,335	P51,496,806
Additions		1,441,752	212,288	8,957	213,041	697,442	42,188	344,678	-	2,388,360	5,348,706
Disposals		-	-	-	(1,775)	(20,883)	(2,298)	(14,334)	-	-	(39,290)
Reclassifications		41,189	374,055	-	12,035	222,060	8,704	311,515	-	(928,219)	43,251
Transfer	*1*	4,000,000	-	-	219,460	143,357	-	907,108	-	-	5,269,925
December 31, 2022		12,395,156	10,852,522	526,805	4,275,387	13,375,962	350,565	17,955,658	-	2,180,476	62,117,486
Additions		-	63,947	2,345	42,362	249,424	42,401	84,986	-	997,931	1,483,396
Disposals		-	(6,305)	-	(349)	(1,930)	(384)		-		(2,663)
Reclassifications		232,307	98,999	-	(35)	10,002	(5,734)	82,037	-	(104,088)	307,183
December 31, 2022		**12,627,463**	**11,009,163**	**529,150**	**4,317,365**	**13,633,458**	**386,848**	**18,122,681**	-	**3,074,319**	**63,905,402**
Accumulated Depreciation and Amortization											
December 31, 2021		-	3,081,950	89,891	2,372,507	9,050,725	246,792	4,631,865	204,955	-	19,678,685
Depreciation and amortization		-	313,326	13,457	222,173	1,020,406	16,707	865,370	-	-	2,451,357
Disposals		-	-	-	(1,760)	(20,836)	(2,354)	(11,689)	-	-	(36,639)
Reclassifications		-	1,028	-	(1,213)	(6,260)	-	5,186	-	-	(1,259)
Transfer	*1* -		-	-	219,443	143,335	-	644,005	-	-	1,006,783
December 31, 2022		**-**	**3,396,304**	**103,348**	**2,811,150**	**10,187,370**	**261,145**	**6,134,737**	**-**	**-**	**23,099,009**
Depreciation and amortization		-	82,464	3,416	48,140	241,504	13,652	218,625	-	-	607,801
Disposals		-	-	-	(342)	(1,930)	(5,734)		-	-	(8,006)
Reclassifications		-	-	-	(43)	(362)		405		-	
March 31, 2023		-	**3,478,768**	**106,764**	**2,858,905**	**10,426,582**	**269,063**	**6,353,767**	-	-	**23,698,804**
Allowance for Impairment Loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying Amounts											
December 31, 2022		P12,395,156	P7,456,218	P423,457	P1,464,237	P3,188,592	P89,420	P11,820,921	P -	P2,180,476	P39,018,477
March 31, 2023		**P12,627,463**	**P7,530,395**	**P422,386**	**1,458,460**	**P3,206,876**	**P117,785**	**P11,768,914**	P -	**P3,074,319**	**P40,206,598**

Interest expense on loans capitalized as part of property and equipment amounted to P2.1 million and P2.9 million in 2023 and 2021 respectively (see Note 17).

The Group recognized an impairment loss on platforms/wells related to the oil and mineral projects that have no significant progress to date amounting to P160 million in 2020.

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P8.3 billion and P5.6 billion as at December 31, 2022 and 2021, respectively.

12. Investment Properties

This account consists of:

(In thousands)	Land	Building	Construction in-Progress	Total
Cost				
December 31, 2021	P4,825,523	P5,865,291	P231,649	P10,967,328
Additions	207,659	43,478	91,192	342,329
Reclassifications	(98,420)	135,077	(153,834)	(117,177)
December 31, 2022	5,057,936	5,941,045	193,499	11,192,480
Additions	100,238	17,873	13,703	131,814
Reclassifications	(232,307)	(98,998)		(331,305)
March 31, 2023	**4,925,867**	**5,859,920**	**207,202**	**10,992,989**
Accumulated Depreciation				
December 31, 2021	-	1,479,360	-	1,479,360
Depreciation	-	129,072	-	129,072
December 31, 2022	-	1,608,432	-	1,608,432
Depreciation		39,641		39,641
March 31, 2023	**-**	**1,648,073**	**-**	**1,648,073**
Carrying Amounts				
December 31, 2022	P5,057,936	P4,332,613	P193,499	P9,584,048
March 31, 2023	**P4,925,867**	**P4,211,847**	**P207,202**	**P9,344,916**

Depreciation expense is charged to cost of rent (see Note 20). Reclassifications pertain to cost of investment properties that are transferred to property and equipment during the consolidation process. Total reclassifications amounted to P117,2 million and P0.14 million in 2022 and 2021, respectively.

As at March 31, 2023 and December 31, 2022, the fair value of the investment properties amounted to P38.0 billion based on independent appraisals obtained in 2019. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively, which is categorized as Level 3 under the fair value hierarchy.

The rental income earned by the real estate and property leasing segment of the Group from these properties amounted to P0.295 billion and P0.257 billion in 2022 and 2022, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P154.1 million and P147.0 million in 2023 and 2022, respectively (see Note 20).

13. Goodwill and Other Intangibles

This account consists of:

(In thousands)	**2023**	2022
Goodwill	**P16,253,526**	P16,253,526
Trademark	**3,709,661**	3,709,661
Customer relationships	**889,453**	889,453
Leasehold rights - net	**40,355**	41,318
Computer software and licenses - net	**174,873**	160,023
	P21,067,868	P21,053,981

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)	**2023**	2022
Retail		
Kareila	**P12,079,474**	P12,079,474
Budgetlane Supermarkets	**837,974**	837,974
Gant	**742,341**	742,341
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	**685,904**	685,904
Company E	**358,152**	358,152
Black & White (B&W) Supermart	**187,204**	187,204
Puregold Junior Supermarket, Inc. (PJSI)	**11,374**	11,374
Specialty Retail		
OWI	**893,790**	893,790
CHC	**9**	9
Real Estate and Property Leasing		
NPSCC	**457,304**	457,304
	P16,253,526	P16,253,526

Trademarks and customer relationships acquired through a business combination represent the fair value at the date of acquisition of Kareila, which is the CGU for these intangibles.

The Company believes that there is currently no foreseeable limit to the period over which the trademarks and customer relationships are expected to generate net cash inflows, and therefore they are assessed to have an indefinite useful life.

CGUs to which goodwill and trademarks have been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The carrying values of the CGUs tested for impairment include their right-of-use assets and associated lease liabilities. Cash flow projections used in determining recoverable amounts include the lease payments in both the explicit forecast period and in terminal value. The recoverable amounts for the CGUs have been determined based on value in use.

VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 10.6% and 11.11% in 2022 and 6.6% to 8.7% in 2021. 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 5.0% and 6.0% for the CGUs. The average operating margins applied in the projected periods ranged between 2.0% and 6.0% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period is 5.4% for the CGUs.

Key assumptions relating to CGUs to which a significant amount of goodwill or intangible assets with indefinite useful lives is allocated are as follows:

	Pre-tax Discount Rate		**Growth Rate (Terminal Value)**	
	2022	2021	**2022**	2021
Kareila	**11.1%**	6.6%	**5.4%**	3.6%
Budgetlane Supermarkets	**11.1%**	6.6%	**5.4%**	3.6%
Gant	**11.1%**	6.6%	**5.4%**	3.6%
DCI and FLSTCI	**11.1%**	6.6%	**5.4%**	3.6%
OWI	**11.1%**	8.9%	**5.4%**	3.0%
NPSCC	**11.1%**	9.3%	**5.4%**	3.0%

As at December 31, 2021, management assessed that a reasonably possible change in key assumptions of B&W Supermart and NPSCC would result in the headroom being reduced to nil if either of the following change occurs:

	B&W Supermart	**NPSCC**
Increase in discount rate	**0.3%**	**4.0%**
Decrease in revenue growth rate	**1.0%**	**1.0%**

Computer Software and Licenses

The movements in computer software and licenses are as follows:

(In thousands)	**2023**	2022
Cost		
Balance at January 1	**P533,795**	P485,432
Additions	**27,445**	48,476
Adjustments	**-**	(113)
Balance at March 31 and December 31	**561,241**	533,795
Accumulated Amortization		
Balance at January 1	**373,772**	325,860
Amortization	**12,596**	47,954
Adjustment	**-**	(40)
Balance at March 31 and December 31	**386,368**	373,772
Carrying Amount at March 31 and December 31	**P174,873**	P160,023

Leasehold Rights
The movements in leasehold rights are as follows:

	2023	2022
Cost		
Balance at January 1	**P75,355**	P75,355
Additions	**-**	-
	75,355	75,355
Accumulated Amortization		
Balance at January 1	**34,038**	30,189
Amortization	**962**	3,849
Balance a March 31 and December 31	**35,000**	34,038
Carrying Amount at March 31 and December 31	**P40,355**	P41,318

On January 25, 2013, the Parent Company entered into a memorandum of agreement with various parties that paved the way for the acquisition of five stores previously owned and operated by the parties. Under the agreement, the parties agreed to sell to the Parent Company all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by parties for a period of 20 years. As a result of the transaction, the Parent Company recognized the excess of the purchase price over the fair value of tangible assets acquired as leasehold rights, which is amortized on a straight-line basis over the lease term.

Amortization of computer software licenses and leasehold rights are both charged under cost of revenue.

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

(In thousands)	***Note***	**Participating Interest**	**2023**	2022
I. Oil Exploration Costs:				
SC 14	*a*			
Block C2 (West Linapacan)		6.12%	**P56,278**	P56,278
Block D		5.84%	**8,113**	8,113
Block B1 (North Matinloc)		13.55%	**4,192**	4,192
			68,583	68,583
SC 6A	*b*	1.67%		
Octon Block			**17,624**	17,596
North Block			**600**	600
SC 6B (Bonita)	*c*	8.18%	**8,027**	8,027
			26,251	26,223
MPSA	*d*		**32,817**	32,817
Other oil projects			**528**	528
			33,345	33,345
			128,179	128,151
Allowance for impairment loss			**(127,471)**	(127,471)
Balance at end of year			**680**	680
II. Mineral Exploration Costs:				
Nickel project		100.00%	**19,208**	19,208
Anoling gold project		3.00%	**13,817**	13,817
Gold projects		100.00%	**13,036**	13,036
Cement project		100.00%	**19,570**	19,570
Other mineral projects			**382**	382
			66,013	66,013
Accumulated for impairment losses			**(56,046)**	(56,046)
Balance at end of year			**9,967**	9,967
III. Other Deferred Charges			**619**	619
Allowance for impairment loss			**(619)**	(619)
Balance at year end			**-**	-
			P10,675	P10,647

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, 2022 and 2021, management assessed that the deferred oil and mineral exploration costs are impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects. Accordingly, the Group recognized a full impairment loss of P127.4 million in 2022 and 2021.

a. <u>SC 14 C2 - West Linapacan</u>
In 2019, Philodrill is in the early stages of negotiation with a UK-based firm which intends to acquire interests in the SC14 C2-West Linapacan Block. The area is part of the ongoing seismic reprocessing and Quantitative Interpretation (QI) works over contiguous areas in SC 14 C2 and SC 74 that cover the West Linapacan and Linapacan discoveries. The Joint Quantitative Interpretation (QI) study on the Linapacan (SC 74) and West Linapacan (SC 14 C2) was officially commenced on the 4th week of April 2019, with IKON Science as the selected service provider. The project involves joint QI work on a 400 sq km reprocessed PSDM seismic data volume covering the West Linapacan A and B in SC 14 and the Linapacan A and B SC 74. As of end-June 2019, the Phase 1a of the study has been completed and the 2 Joint Venture consortia are now discussing on proceeding to the next phase of the Joint QI work which will involve trial inversion work on 30 sq km data volume of contiguous areas.

Meanwhile, Philodrill implemented the final plug and abandonment (P&A) of nine production wells in the Nido, Matinloc and North Matinloc fields immediately after these fields finally ceased production in early 2019. Using the workboat MV ENA Habitat, Philodrill successfully completed P&A works on seven wells (Matinloc-1,-2,-3, Nido B-1, -2, -3, and North Matinloc-2) from March 30 to May 21, 2019. The completion of the P&A of the remaining wells (Nido A-1 and A-2) was deferred for a separate campaign in April 2020.

During 2020, the SC 14C2 JV entered into a Sale-Purchase Agreement (SPA) and a Farm-out Agreement (FOA) with an Independent Oil & Gas Production, Development and Exploration Company (IOGPDE) that would take over the operatorship of the SC. Following the execution of the SPA & FOA, the JV agreed that the proposed redevelopment strategy by the eventual operator will be adopted and submitted to the DOE during the process of securing the DOE approval for the Deeds of Assignment (DOAs) arising out of the SPA and FOA.

The finalization and execution of DOAs, however, has been greatly delayed by the COVID 19 situation and the Community Quarantines' restrictions since mid-March 2020.

To comply with the commitments under the SC, the proposed 2020 Work Program and Budget (WP&B) covering the period November 2020 to March 2021 was submitted for approval. The proposed work activity will complement the subsequent redevelopment effort for the West Linapacan Field.

On July 1, 2021, the SPA and FOA were terminated. A two-phased technical evaluation of West Linapacan B was undertaken during the last quarter of 2021. Phase 1 was carried out to constrain the uncertainties surrounding the West Linapacan B reservoir properties to determine probabilistic range of resources. The Phase 2 of the study involves formulating an appraisal/conceptual development strategy and economic analysis of resource and development scenarios.

The 2022 Work Program and Budget has been submitted with component for the technical studies that will be undertaken to continue to assess and fully understand the feasibility for the joint development of West Linapacan A & B and the administrative management of the SC.

Also in 2022 the outstanding SC 14C2 Training Fund balance was settled with DOE.

b. SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines

The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data. As at December 31, 2019, the Group has participating interest of 1.67%.

The impending expiry of SC 6A-Octon Block was finally resolved in a DOE letter on June 18, 2009. The letter informed the Operator, Philodrill,(PLL) of the 15-year contract extension of the SC Octon Block subject to some terms and conditions.

On December 8, 2011, the DOE approved the transfer of Filipino Consortium’s 70% undivided interest to PLL. DOE has also approved the appointment of PLL as the Operator in accordance with the Deed of Assignment and Assumption dated July 1, 2011.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing and interpretation of 500 square kilometers of 3D data area in Octon. The Group for its part will be carried free up to the drilling of the two exploration wells on the block.

In 2013, the 3D seismic acquisition has been completed and the data is now in Vietnam for data processing and interpretation. Oil reserves have already been determined and would be further refined and fine-tuned by the complete seismic acquisition.

In 2021, additional deferred charges amounting to P0.015 million were capitalized.

The Seismic Inversion and Reservoir Characterization project in the north block of SC 6A was completed in mid-December 2020. The stochastic inversion, used to characterize the thinly bedded sands of the GCU, generated promising results and highlighted potential areas of key interest in the vicinity of the Malajon-1 well. Zones exhibiting a high probability of pay were identified within the GCU and are considered plausible locations for well drilling.

c. SC 6B (Bonita) - Offshore Nortwest Palawan, Philippines

In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

During 2020, Manta Oil Corporation (MOC), operator of the SC, completed a comprehensive technical subsurface review using the 2016 PSTM reprocessed 3D seismic data. The recent subsurface mapping work on the Cadlao structure resulted in an improved P50 STOIIP, with an increase of 15% from previous volumetric.

In 2022, Nido Petroleum and Minerals Corporation submitted their farming proposal for the JVP to review. Under the proposal, they will increase their participating interest and take over the operatorship of the block.

d. MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte

The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

On March 4, 2003, the DENR granted the Parent Company's application for a 2-year exploration period in its Cement Leyte Project which ended on March 14, 2005.

On September 9, 2011, the Parent Company received the approval for the second extension of the MPSA Exploration. The approved exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

The Parent Company, as part of new requirements, is required to conduct a new round of Information, Education and Communication (IEC) before implementing the exploration surveys. The Parent Company has also committed to participate in the National Greening Program initiated by the President.

For the first half of 2012, the Parent Company continued in preparation to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the 2-year extension of the MPSA exploration period.

In 2016, the Group paid occupation amounting to P0.5 million for the project.

On May 20, 2020, exploration permit for the project was for the two-year exploration period was granted, subject to the compliance of conditions set forth.

Currently, the Group is in the process of fulfilling its obligations in relation to the renewed exploration permit.

For the years ended December 31, 2021, 2020 and 2019, the Group paid occupation fee amounting to P0.01 million P0.2 million and P0.1 million respectively. For the year ended December 31, 2021, the Group paid the amount of P0.6 million for mapping activities.

In 2022, Integrated Safety, Health, Environmental and Social (ISHES) monitoring/inspection at the area, located within the municipalities of Merida and Leyte was once again conducted.

The renewal of the Mineral Production sharing Agreement No 066-97-VIII (MPSA 066-97-VIII) for another 25 years was approved on June 14, 2022 subject to certain conditions.

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 P4.0 billion and P3.30 billion as at March 31, 2023 and December 31, 2022, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

(In thousands)	***Note***	**2023**	2022
Trade payables		**P11,656,997d**	P19,117,045
Non-trade payables		**1,955,218**	2,797,882
Dividends payable	*28*	**20,609**	2,668,718
Due to government agencies		**603,252**	849,338
Retention payable		**5,054**	73
Construction bonds		**22,862**	22,951
Advance rentals		**23,621**	39,869
Accrued expenses:			
Manpower agency services		**863,975**	1,013,321
Utilities		**381,009**	334,590
Rent		**91,405**	168,040
Fixed asset	*21*	**481,838**	404,469
Others		**627,811**	842,418
		P16,733,652	P28,258,714

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.

The accrued expenses for fixed assets include the remaining obligations for the purchase of a parcel of land amounting to P288.4 million. The total remaining obligation is P1.1 billion as at December 31, 2022 and payable until 2027. The noncurrent portion amounting to P832.9 million is included in the "Noncurrent liabilities" account in the consolidated statements of financial position.

17. Loans Payable

As at March 31, 2023 and December 31, 2022, the Group has the following outstanding loans:

a. Short-term Loans

Details of short-term loans follow:

(In thousands)	**2023**	2022
Balance at beginning of year	**P148,000**	P48,000
Availments	**-**	130,000
Repayments	**(130,000)**	(30,000)
Balance at end of period/year	**P18,000**	P148,000

The balances of the short-term loans of each segment as at March 31 and December 31 follow *(in thousands)*:

Segment	Purpose(s)	Interests	**2023**	2022
Liquor distribution	a. Inventory financing	3.75%	**P -**	P 130,000
Real estate	b. Capital expenditure	3.0%	**18,000**	18,000
			P18,000	P148,000

b. Long-term Loans

The balance of long-term loans of the Group as follow:

(In thousands)	**2023**	2022
Fixed-rate peso-denominated		
PPCI	**P11,665,793**	P11,760,000
Unamortized debt issuance costs	**(90,373)**	(94,207)
	11,669,627	11,665,793
Less current portion	**120,000**	120,000
	P11,549,627	P11,545,793

a. PPCI

On September 30, 2020, the Parent Company raised P12.0 billion from the issuance of fixed-rate corporate notes for its store network expansion. This consists of P7-billion notes that have a seven-year tenor and P5-billion notes that have a 10-year tenor with interest rate of 4.0% and 4.5%, respectively. The notes are payable annually at 1.0% of the original amount or P120.0 million and the remainder payable upon maturity.

The notes are subject to certain affirmative and negative covenants such as those relating to merger and consolidation, declaration of dividends and maintenance of financial ratios of at least 1.0x current ratio and not more than 2.5x debt-to-equity ratio, among others. The Parent Company is compliant with the loan covenants as at December 31, 2022 and 2021.

The current portion in prior year amounting to P120.0 million was reclassified from noncurrent to conform to the current year presentation.

Total interest expense charged to profit or loss amounted to P132.0 million and P129.3 million in 2023 and 2022, respectively.

Interest expense on loans capitalized as part of property and equipment amounted to P2.1 million and P2.9 million in 2023 and 2022, respectively (see Note 11).

The movements in debt issuance costs are as follows

	2023	2022
Balance at beginning of the year	**P94,207**	P109,542
Additions	**-**	-
Amortizations	**(3,834)**	(15,335)
Balance at end of the year	**P90,373**	P94,207

18. Other Current Liabilities

This account as at March 31 and December 31 consists of:

(In thousands)	***Note***	**2023**	2022
Customers' deposits	*21, 31, 32*	**P371,754**	P368,411
Promotional discount		**207,362**	215,824
Unredeemed gift certificates		**154,937**	189,893
Output VAT		**208,724**	5,896
Others	*31, 32*	**93,492**	62,807
		P1,036,269	P842,831

Customers' deposits consist of payments from the lessees that are refundable at the end of the lease term. These are intended to answer for any unpaid obligations of the lessee to the Group including damages to the leased properties.

Unredeemed gift certificates represent members' claims for issued yet unused gift certificates. These will be closed to sales account upon redemption and are due and demandable anytime.

Contract Liabilities
The Group identified its unredeemed gift certificates as contract liabilities as of March 31, 2023 and December 31, 2022. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the rollforward of contract liabilities:

(In thousands)	**2023**	2022
Beginning balance	**P189,893**	P204,842
Add receipts	**60,692**	382,654
Less sales recognized	**(95,648)**	(397,603)
Ending balance	**P154,937**	P189,893

19. Revenues

The revenue from contracts with customers is disaggregated by revenue stream.

(In thousands)	**2023**	2022
Revenue from Contracts with Customers		
Revenues		
Grocery	**P44,352,437**	P38,507,339
Wine and liquor	**2,274,810**	1,526,772
Office and technology supplies	**554,568**	390,118
	47,181,815	40,424,229
Other Revenue		
Concession fee income	**398,642**	414,683
Membership income	**171,659**	139,968
Miscellaneous	**82,934**	53,781
	653,235	608,432
Lease revenue		
Revenues		
Real estate and property leasing	**295,387**	257,157
Other Revenue		
Retail (*Other revenue*)	**111,603**	99,981
	406,990	357,138
	P48,242,040	P41,388,639

20. Cost of Revenues

Cost of goods sold consists of:

(In thousands)	**2023**	2022
Beginning inventory	**P34,697,639**	P25,390,956
Purchases	**40,928,113**	34,499,435
Total goods available for sale	**75,625,752**	59,890,390
Ending inventory	**37,892,943**	27,854,204
	P37,732,810	P32,036,186

Cost of rent consists of:

(In thousands)	**2023**	2022
Depreciation	**P67,080**	P61,877
Security services	**19,780**	17,399
Taxes and licenses	**18,965**	24,187
Repairs and maintenance	**15,952**	15,938
Janitorial services	**15,810**	11,741
Management fees	**8,766**	7,990
Insurance	**5,062**	5,058
Rental	**1,569**	1,080
Utilities	**359**	
Others	**809**	1,725
	P154,152	P146,995

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)	**2023**	2022
Cost		
Balance at January 1	**P41,191,525**	P35,225,101
Additions	**1,114,100**	4,959,056
Transfer in	**-**	1,538,374
Modifications	**(12,100)**	(167,531)
Terminations	**(13,287)**	(89,465)
End of lease term	**(194,583)**	(274,010)
Balance at March 31 and December 31	**42,085,655**	41,191,525
Accumulated Depreciation		
Balance, January 1	**12,812,652**	10,818,188
Depreciation	**567,291.33**	1,956,287
Transfer in	**-**	339,774
Terminations	**(1,810.63)**	(27,585)
End of lease term	**(95,176.81)**	(274,012)
Balance, March 31 and December 31	**13,282,956**	12,812,652
Carrying amount at March 31 and December 31	**P28,802,699**	P28,378,873

Lease liabilities included in the statements of financial position are as follows:

(In thousands)	**2023**	2022
Due within one year	**P1,525,173**	P1,470,464
Due beyond one year	**34,988,175**	34,455,564
	P36,513,348	P35,926,028

The movements in lease liabilities are as follows:

(In thousands)	**2023**	2022
January 1	**P35,926,028**	P31,494,851
Additions	**963,125**	4,494,468
Transfer in	**-**	1,513,818
Accretion of interest	**605,622**	2,033,571
Repayments	**(956,022)**	(3,350,434)
Terminations	**(13,305)**	(72,013)
Modifications	**(12,100)**	(188,233)
December 31	**P36,513,348**	P35,926,028

Shown below is the maturity analysis of the undiscounted lease payments for the years ended December 31:

(In thousands)	**2023**	2022
Less than one year	**P3,756,603**	P3,756,603
One to five years	**14,564,156**	14,564,156
More than five years	**51,816,289**	51,816,289
	P70,137,048	P70,137,048

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 P758.5 million and P739.1 million as at March 31, 2023 and December 31, 2022, composed of current and noncurrent portion, broken down as follows:

(In thousands)	***Note***	**2023**	2022
Current	*18*	**P371,754**	P368,411
Noncurrent		**386,765**	370,725
		P758,519	P739,136

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 P295.3 million and P257.1 million in 2023 and 2022, respectively.

The scheduled maturities of non-cancellable minimum future rental collections are as follows:

(In thousands)	**2023**	2022
Less than one year	**P1,196,342**	P1,196,342
One to two years	**984,535**	984,535
Two to three years	**920,940**	920,940
Three to four years	**745,740**	745,740
Four to five years	**740,343**	740,343
More than five years	**6,507,489**	6,507,489
	P11,095,389	P11,095,389

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 P111.6 million and P100.0 million, in 2023 and 2022, respectively (see Note 22).

The future minimum lease collections under non-cancellable operating leases as at March 31 and December 31 are as follows:

(In thousands)	**2023**	2022
Less than one year	**P273,377**	P273,377
One to two years	**129,561**	129,561
Two to three years	**90,248**	90,248
Three to four years	**61,240**	61,240
Four to five years	**49,217**	49,217
More than five years	**974,404**	974,404
	P1,578,047	P1,578,047

22. Other Revenue

This account consists of:

(In thousands)	***Note***	**2023**	2022
Concession fee income		**P398,642**	P414,683
Membership income		**171,659**	139,968
Rent income	*21*	**111,603**	99,981
Miscellaneous		**82,934**	53,781
		P764,838	P708,412

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***	**2023**	2022
Depreciation and amortization	*11, 12, 13, 21*	**P1,141,242**	P1,059,366
Manpower agency		**1,000,194**	832,840
Communication, light and water		**801,882**	637,878
Salaries and wages		**840,741**	724,388
Outside services		**328,356**	303,111
Taxes and licenses		**308,981**	265,952
Advertising and marketing		**208,956**	142,337
Store and office supplies		**200,148**	168,989
Repairs and maintenance		**196,981**	172,385
Rent	*21, 25*	**132,176**	124,244
Credit card charges		**134,667**	113,198
Transportation		**139,054**	132,040
Distribution Costs		**122,374**	101,990
Insurance		**74,221**	68,788
SSS/Medicare and HDMF contributions		**74,165**	57,697
Representation and entertainment		**60,427**	49,053
Input VAT allocable to exempt sales		**26,454**	44,791
Fuel and oil		**37,558**	33,840
Professional fees		**14,950**	12,440
Royalty expense	*25*	**14,911**	13,287
Retirement benefits cost	*26*	**725**	554
Others		**115,263**	83,102
		P5,974,427	P5,142,268

24. Other Income (Charges)

This account consists of:

(In thousands)	***Note***	**2023**	2022
Gain from sale of securities investment		**P6,524**	P -
Gain from lease terminations	*21*	**1,829**	-
Foreign exchange gain (loss)		**18,293**	3,986
Share in income (losses) of joint ventures and associates	*10*	**(49,522)**	(14,387)
Unrealized valuation loss on financial assets	*7*	**4,119**	3,486
Bank charges		**(562)**	(249)
Gain on disposal of property and equipment		**-**	150
Gain (loss) on insurance claim		**-**	2,344
Miscellaneous		**1,434**	4,828
		(P17,885)	P158

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	Trade Payables	Lease Liabilities	Due to Related Parties	Terms	Conditions
Under Common and Joint Control										
▪ Loans receivable										
Interest	**2023**		**P -**	**P670,706**	**P -**	**P -**	**P -**	**P -**		
Interest	2022		-	670,706	-	-	-	-		
▪ Advances for working capital requirements	**2023**		**-**	**-**	**-**	**-**	**-**	**363,146**	Due and demandable; non-interest bearing	Unsecured; Unimpaired
▪	2022		-	-	-	-	-	363,146		
▪ Advances from stockholder	**2023**	*B*	**2,000,000**	**-**	**-**	**-**	**-**	**2,000,000**	Due and demandable	Unsecured
▪	2022	*B*	-	-	-	-	-	4,000,000	Due and demandable	Unsecured
▪ Management fee	**2023**	*C*	**8,766**	**-**	**-**	-	**-**	**-**	Due and demandable; non-interest bearing	Unsecured
	2022	*C*	7,990	-	-	**-**	-	-		
Associates						**-**				
▪ Advances for working capital Requirements	**2023**		**482**	**-**	**60,502**	**-**	**-**	**283,204**	Due and demandable; non-interest bearing	Unsecured Unimpaired
	2022		10,482	-	60,502	-	-	293,525		
Acquisition of investment	**2023**	***E***	**31,969**	**-**	**-**	**-**	**-**	**708,031**		
	2022	*E*	3,017,678	-	-	-	-	730,000		
▪ Royalty expense	**2023**	*D*	**14,911**	-	-	-	-	**14,911**	Due and demandable; non-interest bearing	Unsecured
	2022	*D*	61,872	-	-	-	-	49,498		
Key Management Personnel										
▪ Short-term benefits	**2022**		**44,947**	**-**	**-**	**-**	**-**	**-**		
	2021		45,657	-	-	-	-	-		
Total	**2023**			**P670,706**	**P60,502**	-	**P-**	**p3,369,293**		
Total	2022			P670,706	P60,341	-	P-	P5,436,169		

a. Money Market Placements

The money market placements are with Philippine Bank of Communications, a local bank under common control.

b. Advances from a Stockholder

This amount pertains to the advances from a stockholder to PSMT which were used for the acquisition of three (3) parcels of land located in Brgy. Tambo, Paranaque City with an aggregate area of 10,913.59 square meters.

The amount outstanding is non-interest bearing, payable on demand and will be settled in cash.

c. Management Agreement

The Group entered into a management agreement with Puregold Realty Leasing and Management, Inc. (PRLMI), an entity under common control. Under the agreement, PRLMI shall handle the leasing and marketing, billing and collection, documentation, and property management services of the properties owned by the realty segment of the Group. In consideration of such services, the Group shall pay monthly management fee to PRLMI equivalent to 5.0% to 8.5% of rental collected by PRLMI. The agreement is valid for a year, and is renewable upon mutual agreement of both parties.

d. 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

e. Acquisition of investment

In September 2022, the Group through The Keepers Holdings, Inc. acquired a total of 646,775 shares representing 50% equity interest in Bodegas Williams Humbert SA (“Bodegas”) for a total consideration of EUR 88.75 million. Remaining unpaid portion of the consideration amounted to P730.0 million.

Amounts owed by and owed to related parties are to be settled in cash.

26. Retirement Benefits Cost

The Group has an unfunded, non-contributory, defined benefit plan covering all of its permanent employees. The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to at least one-half month (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The term one-half (1/2) month salary shall mean: (a) 50% of the pay salary; (b) one-twelfth (1/12) of the thirteenth (13th) month pay; and (c) one-twelfth (1/12) cash equivalent of not more than five (5) days of service incentive leaves. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. Valuations are obtained on a periodic basis.

The retirement benefits liability recognized in the consolidated statements of financial position as at March 31 and December 31 are as follows:

(In thousands)	**2023**	2022
Present value of defined benefits obligation	**P1,087,606**	P1,087,609
Fair value of plan assets	**(29,502)**	(29,502)
	P1,058,104	P1,058,107

The following table shows reconciliation from the opening balances to the closing balances of the present value of defined benefits obligations:

(In thousands)	**2023**	2022
Balance at beginning of year	**P1,087,609**	P1,376,417
Included in profit or loss:		
Current service cost	**725**	220,431
Interest cost	**-**	71,379
	725	291,810
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	**-**	(469,679)
Experience adjustments	**-**	(100,587)
	725	(570,266)
Benefits paid	**(193)**	(9,760)
Effect of business combination	**(535)**	(592)
Balance at end of year	**P1,087,606**	P1,087,609

The following table shows reconciliation from the opening balances to the closing balances for fair value of plan assets:

(In thousands)	**2023**	2022
Balance at beginning of year	**P29,502**	P29,873
Interest income	**-**	1,517
Return on plan asset excluding interest	**-**	(1,888)
Balance at end of year	**P29,502**	P29,502

The Group's plan assets as at March 31 and December 31 consist of the following:

(In thousands)	**2023**	2022
Cash in banks	**P15**	P15
Debt instruments - government bonds	**15,743**	15,743
Trust fees payable	**(8)**	(8)
Other	**13,752**	13,752
	P29,502	P29,502

The following were the principal actuarial assumptions at the reporting date:

	2023	2022
Discount rate	**7.07% to 7.22%**	7.07% to 7.22%
Future salary increases	**5.0% to 8.0%**	5.0% to 8.0%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of the defined benefit obligation as at December 31, 2022 and 2021 is 17.6 years and 21.5 years, respectively.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2023

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**P196,244**	**(P158,310)**
Future salary increase rate (1% movement)	**193,342**	**(159,054)**

2022

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**P196,244**	**(P158,310)**
Future salary increase rate (1% movement)	**193,342**	**(159,054)**

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.

<u>Funding Arrangements</u>
Since the Group does not have a formal retirement plan, benefit claims under the retirement obligation are paid directly by the Group when they become due.

The 10-year maturity analysis of the benefit payments:

	2023 *(In thousands)*				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**Within 5 - 10 Years**
Defined benefit obligation	**P1,075,308**	**P413,602**	**P73,432**	**P84,378**	**P253,730**

	2022 *(In thousands)*				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,075,308	P413,602	P73,432	P84,378	P253,730

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 2023.

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 2023.

27. Income Taxes

The provision for income tax consists of:

(In thousands)	**2023**	2022
Current	**P918,081**	P867,703
Deferred	**(45,257)**	(45,014)
	P872,824	P822,688

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)	**2023**	2022
Income before income tax	**P3,968,859**	P3,528,702
Income tax expense at the statutory income tax rate:		
25%	**P982,917**	P868,546
5%	**3,600**	4,476
Income tax effects of:		
Deduction from gross income due to availment of optional standard deduction	**(66,506)**	(35,957)
Dividend income	**(185)**	(185)
Interest income subject to final tax	**(82,040)**	(22,572)
Non-deductible interest expense	**17,667**	4,339
Changes in unrecognized DTA	**10,436**	793
Other income subject to final tax	**(1,030)**	(513)
Non-deductible other expenses	**1,005**	917
Non-deductible expenses	**3,501**	160
Share in loss of associates and joint ventures	**5,601**	3,597
Non-taxable income	**(2,141)**	(912)
	P872,824	P822,688

The components of the Group's deferred tax assets - net (DTA) and deferred tax liabilities - net (DTL) in respect to the following temporary differences are shown below:

Net deferred tax assets as at March 31 and December 31:

(In thousands)	**2023**	2022
Deferred tax assets (liabilities) on:		
Excess of lease liabilities over ROU assets	**2,679,807**	P2,178,218
Fair value of intangible assets from business combination	**(1,149,778)**	(1,149,778)
Retirement benefits liability	**453,281**	460,270
Remeasurement on defined benefits liability	**(191,369)**	(193,079)
Accrued rent income	**(247,500)**	(12,058)
Allowance for impairment losses on receivables	**5,221**	3,725
Advance rent	**-**	2,241
Unrealized foreign exchange loss (gain)	**(747)**	(53)
Allowance for impairment of deferred oil and mineral exploration costs		3,070
Others	**(40,363)**	(45,306)
	P1,297,675	P1,247,250

The realization of these deferred tax assets is dependent upon future taxable income when temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefits liability.

The Group has temporary differences for which deferred tax assets were not recognized because management believes that it is not probable that sufficient taxable profits will be available against which the benefits of the deferred taxes can be utilized.

The unrecognized deferred tax assets as at March and December are as follows:

(In thousands)	**2023**	2022
Impairment of property, plant and equipment	**P40,009**	P40,009
NOLCO	**123,416**	123,416
MCIT	**3,915**	3,915
PFRS 16	**7,367**	7,367
Retirement Liability	**6,737**	6,737
Unrealized foreign exchange gain (loss)	**(10,786)**	(10,786)
	P170,658	P170,658

The unrecognized deferred tax assets came from the Parent Company, Canaria Holdings Corporation and Alcorn Petroleum and Mineral Corporation.

The details of the Group's NOLCO which are available for offsetting against future taxable income are shown below (in thousands):

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2019	P165,833	(P165,833)	P -	2022
2020	2,298	-	2,298	2025
2021	250,535	-	250,535	2026
2022	58,962	-	58,962	2025
	P477,628	(P165,833)	P311,795	

The details of the Group's MCIT which are available for offsetting against future taxable income are shown below (in thousands):

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2018	P8,733	(P8,733)	P -	2021
2019	10,060	(10,060)	-	2022
2020	377	-	377	2023
2022	-	-	-	2025
	P19,170	(P18,793)	P377	

28. Equity

Capital Stock

The details of the Parent Company's common shares follow:

	2023		2022	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - P1.00 par value	**10,000,000,000**	**P10,000,000**	10,000,000,000	P10,000,000
Issued and outstanding:				
Issued	**7,405,403,564**	**P7,405,264**	6,946,192,274	P7,405,264
Less treasury shares	**459,087,142**	**1,903,492**	459,078,865	1,866,402
Outstanding	**6,946,316,422**	**P5,501,772**	6,487,113,409	P5,538,862
Treasury shares:				
Balance at beginning of year	**459,078,865**	**P1,866,402**	459,071,290	P1,734,603
Buy back of shares	**8,277**	**37,090**	7,575	131,799
Balance at end of year	**459,087,142**	**P1,903,492**	459,078,865	P1,866,402

Treasury Shares

On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1.0 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2022 and 2021, the Company renewed its program to buy back its shares for another year up to P2.0 billion and P3.0 billion, respectively.

Retained Earnings

Declaration of Cash Dividends

In 2023 and 2022, the Parent Company's BOD approved cash dividends for common shareholders with the following details:

Type	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.06
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.08
Cash	December 18, 2020	January 8, 2021	January 29, 2021	0.08
Cash	December 18, 2020	January 15, 2021	February 9, 2021	0.04
Cash	December 18, 2020	January 8, 2021	January 29, 2021	0.04
Cash	December 21, 2021	January 10, 2022	February 3, 2022	0.08
Cash	December 21, 2021	January 10, 2022	February 3, 2022	0.04
Cash	December 21, 2022	January 18, 2023	January 28, 2023	0.14
Cash	December 21, 2022	January 18, 2023	January 28, 2023	0.05

As of March 31, 2023 and December 31, 2022, unpaid cash dividends on common shares amounting to P0.206 billion and P2.7 billion, respectively, are included as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

Non-controlling Interests

For the years ended March 31, 2023 and December 31, 2022, movements in NCI pertain to the share in net earnings of and dividends paid to non-controlling shareholders, and sale/buyback of the subsidiary shares.

The following table summarizes the financial information of subsidiaries that have material non-controlling interests:

This information is based on amounts before inter-company eliminations.

	2023			2022		
(In thousands)	**PPCI**	**TKHI**	**CHC**	PPCI	TKHI	CHC
NCI percentages	**50.77%**	**22.46%**	**10%**	50.82%	22.46%	10%
Carrying amounts of NCI	**P21,983,120**	**P3,124,988**	**P737,775**	P41,958,664	P3,030,552	P737,775
Current assets	**P70,249,657**	**P12,401,816**	**P12,693,378**	P78,998,060	P14,183,866	P12,693,378
Noncurrent assets	**86,176,438**	**5,396,424**	**-**	84,799,454	5,449,968	
Current liabilities	**19,620,202**	**3,802,455**	**5,315,625**	29,877,258	6,052,754	5,315,625
Noncurrent liabilities	**51,755,124**	**82,214**	**-**	51,275,655	87,971	
Net assets	**P85,050,768**	**P13,913,571**	**P7,377,752**	P82,644,601	P13,493,110	P7,377,752
Net income attributable to NCI	**P1,223,295**	**P94,463**	**P -**	4,721,728	501,984	P5,676
Other comprehensive income (loss) attributable to NCI	**P -**	**(P28)**	**P -**	P218,975	(P123)	P -
Revenue	**P44,352,437**	**P2,897,377**	**P -**	184,302,945	13,957,192	P -
Net income	**P2,406,166**	**P420,585**	**P -**	9,287,427	2,235,013	P56,758
Other comprehensive income (loss)	**-**	**(123)**	**-**	430,714	(438)	-
Total comprehensive income	**P2,406,166**	**P420,461**	**P -**	9,718,141	2,234,574	P56,758

**Adjusted for the share in income in LPC and CHPI recognized from date of acquisition to date of sale and other eliminating adjustment.*

29. Segment Information

Segment information reported externally was analyzed on the basis of types of goods supplied and services provided by the Group's operating divisions. However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the types of goods or services delivered or provided. The Group's reportable segments are as follows:

Grocery retail	Includes selling of purchased goods to a retail market
Specialty retail	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of LPG, filling and distributions of LPG cylinders as well as distributions to industrials, wholesale and other customers.
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Real estate and property leasing	Includes real estate activities such as selling and leasing of real properties
Oil and mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

The following segment information does not include any amounts for discontinued operations.

Information regarding the Group's reportable segments is presented hereunder:

Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment Revenues		Segment Profit	
(In thousands)	**2023**	2022	**2023**	2022
Grocery retail	**P44,352,437**	P38,507,339	**P2,406,166**	P2,151,226
Liquor distribution	**2,897,377**	2,169,352	**420,585**	332,545
Specialty retail	**555,946**	390,118	**28,488**	16,414
Real estate and property leasing	**488,184**	449,186	**247,195**	226,773
Holding, oil and mining	**-**	-	**(6,399)**	(20,945)
Total	**48,293,944**	41,515,995	**3,096,035**	2,706,013
Eliminations of intersegment revenue/profit	**816,742**	835,768	**-**	-
	P47,477,202	P40,680,227	**P3,096,035**	P2,706,013

Revenue reported above represents revenue generated from external customers and inter-segment sales and is broken down as follows:

(In thousands)	**2023**	2022
Grocery retail:		
From external customers	**P44,352,437**	P38,507,339
Liquor distribution:		
From external customers	**2,274,810**	1,526,772
From intersegment sales	**622,567**	642,580
	2,897,377d	2,169,352
Specialty retail:		
From external customers	**554,568**	388,959
From intersegment sales	**1,378**	1,159
	555,946	390,118
Real estate and property leasing:		
From external customers	**295,387**	257,157
From intersegment sales	**192,797**	192,029
	488,184	449,186
Oil and mining:		
From external customers		-
Total revenue from external customers	**P47,477,202**	P40,680,227
Total intersegment revenue	**P816,742**	P835,768

No single customer contributed 10% or more to the Group’s revenue in 2022, 2021 and 2020.

The Group’s reportable segments are all domestic operations.

Segment Assets and Liabilities

Below is the analysis of the Group's segment assets and liabilities:

(In thousands)	**2023**	2022
Segment assets:		
Grocery retail	**P156,426,094**	P163,797,514
Specialty retail	**1,259,026**	1,162,730
Liquor distribution	**17,798,240**	19,633,800
Real estate and property leasing	**25,579,711**	25,259,907
Oil and mining	**115,836,706**	117,245,403
Total segment assets	**316,899,777**	327,099,354
Intercompany assets	**107,424,366**	108,561,948
Total assets	**P209,475,411**	P218,537,406
Segment liabilities:		
Grocery retail	**P71,375,327**	P81,152,913
Specialty retail	**704,890**	637,082
Liquor distribution	**3,884,669**	6,140,690
Real estate and property leasing	**8,118,840**	8,022,945
Oil and mining	**5,887,600**	7,254,367
Total segment liabilities	**89,971,325**	103,207,997
Intercompany liabilities	**16,360,631**	17,476,485
Total liabilities	**P73,610,694**	P85,731,512

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)	**2023**	2022
Net income attributable to equity holders of the Parent Company (a)	**P1,778,277**	P1,537,641
Weighted average number of common shares (b)	**6,934,524**	6,944,358
Basic/diluted EPS (a/b)	**P0.2564**	P0.2214

There were no potential dilutive common shares in 2022, 2021 and 2020.

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transaction during the year.

31. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The Group's principal financial instruments include cash and cash equivalents and investments in trading securities. These financial instruments are used to fund the Group's operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

(In thousands)	***Note***	**2023**	2022
Cash and cash equivalents [1]	*4*	**P46,444,651**	P57,967,494
Receivables - net	*5*	**5,544,737**	6,363,575
Financial assets at FVPL	*7*	**4,623,854**	4,299,380
Security deposits [2]	*15*	**2,539,082**	2,494,764
Due from related parties	*25*	**60,139**	60,502
Financial assets at FVOCI	*8*	**14,449**	14,449
		P59,226,912	P71,200,164

[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, 2023			
(In thousands)	**Grade A**	**Grade B**	**Grade C**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	**P46,444,651**	**P -**	**P -**	**P46,444,651**
Receivables	**3,406,024**	**2,012,638**	**126,075**	**5,544,737**
Due from related parties	**60,139**	**-**	**-**	**60,139**
Security deposits[2]	**-**	**2,539,082**	**-**	**2,539,082**
Financial Assets at FVPL				
Investments in trading securities	**4,623,854**	**-**	**-**	**4,623,854**
Financial Assets at FVOCI				
Investments in preferred shares	**7,262**	**-**	**-**	**7,262**
Investment in common shares	**-**	**-**	**-**	**-**
Quoted	**4,883**	**-**	**-**	**4,883**
Unquoted	**2,304**	**-**	**-**	**2,304**
	P54,549,117	**P4,551,720**	**P126,075**	**P59,226,912**

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets".

	December 31, 2022			
(In thousands)	Grade A	Grade B	Grade C	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	P57,967,494	P -	P -	P57,967,494
Receivables	4,400,758	1,849,593	113,224	6,363,575
Due from related parties	60,502	-	-	60,502
Security deposits[2]	-	2,494,764	-	2,494,764
Financial Assets at FVPL				
Investments in trading securities	4,299,380	-	-	4,299,380
Financial Assets at FVOCI				
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares	-	-	-	-
Quoted	4,883	-	-	4,883
Unquoted	2,304	-	-	2,304
	P66,742,583	P4,281,799	P113,224	P71,200,164

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets".

The Group has assessed the credit quality of the following financial assets that are neither past due nor impaired as high grade:

a. Cash in banks and cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit risk for investment in debt securities are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.

d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

e. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

The Group applies the simplified approach using provision matrix in providing for ECL which permits the use of the lifetime expected loss provision for trade and other receivables. The expected loss rates are based on the Group's historical observed default rates. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of this macroeconomic factor identified has not been considered significant within the reporting period.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	March 31, 2023				
(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]	**16,130,400**	**16,130,400**	**16,130,400**	**P -**	**P -**
Short-term loans	**18,000**	**18,000**	**18,000**	**-**	**-**
Lease liabilities	**34,988,175**	**70,137,048**	**3,756,603**	**14,564,157**	**51,816,289**
Due to related parties	**3,369,293**	**3,369,293**	**3,369,293**	**-**	**-**
Long-term loans[2]	**11,669,627**	**14,605,074**	**621,240**	**8,807,901**	**5,175,934**
Accrued fixed assets	**1,041,2210**	**1,281,700**	**320,425**	**961,275**	**-**
Customers' deposits[3]	**758,519**	**758,519**	**-**	**-**	**-**
	P77,346,224	**P106,300,034**	**P24,215,961**	**P24,333,333**	**P56,992,223**

[1] Excluding due to government agencies.
[2] Including current, non-current portion and future interest payment.
[3] Including current and non-current portion.

	December 31, 2022				
(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]	P27,218,068	P27,218,067	P27,218,067	P -	P -
Short-term loans	148,000	148,000	148,000	-	-
Lease liabilities	34,455,564	70,137,048	3,756,603	14,564,157	51,816,289
Due to related parties	5,436,169	5,436,169	5,436,169	-	-
Long-term loans[2]	11,545,793	14,728,959	769,141	8,878,837	5,228,980
Accrued fixed assets	1,121,326	1,361,806	320,424	1,041,381	-
Customers' deposits[3]	739,136	739,136	-	-	-
	P80,664,056	P119,769,185	P37,648,404	P24,484,375	P57,045,269

[1] Excluding due to government agencies.
[2] Including current, non-current portion and future interest payment.
[3] Including current and non-current portion.

Market Risk

Market risk is the risk that changes in market prices such as interest rates that will adversely affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.
The Group is mainly subject to interest rate risks.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group may be exposed to interest rate risk on interest earned on cash deposits in banks which have variable rates exposing the Group further to cash flow interest rate risk. However, the management believes that the Group is not significantly exposed to interest rate risk since its short and long-term loans have fixed rates and are carried at amortized cost.

The Group's policy is to obtain the most favorable interest available without increasing its interest rate risk exposure.

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group defines capital as paid-up capital, additional paid-in capital, remeasurements and retained earnings as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the year.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

The Group is not subject to externally imposed requirements.

32. Fair Value of Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at March 31, 2023 and December 31, 2022.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties
The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Security Deposits
The carrying amount approximates it fair value as the effect of discounting is not considered material.

Financial Assets at FVPL (Level 2)
The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

Financial Assets at FVOCI - Quoted (Level 1)
The fair values of financial assets at FVPL and quoted financial assets at FVOCI and similar investments are based on quoted market prices in an active market.

Financial Assets at FVOCI - Unquoted
The fair value of the unquoted equity securities at FVOCI is not determinable because of the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Accounts Payable and Accrued Expenses, Short-term Loans and Due to Related Parties
The carrying amounts of accounts payable and accrued expenses, short-term loans, due to related parties and customers' deposits approximate the fair value due to the relatively short-term maturities of these financial instruments.

Long-term Loans, Lease Liabilities and Customers' Deposits
The carrying amounts approximate their fair values because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments is not considered significant.

Fair Value Hierarchy
The Group analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2023 and December 31, 2022, the Group's financial assets at FVPL for equity securities, and quoted equity investments at OCI are classified as Level 1 while financial assets at FVPL for government securities are classified as Level 2.

ANNEX "F"

Date of Board Meeting	Items Approved by the Board of Director
March 8, 2022	Appointment of Mr. John Marson T. Hao as Sustainability Officer of the Company
April 11, 2022	Approval of the 2021 Consolidated Audited Financial Statements
May 6, 2022	Approval of the 1st Quarter – 2022 Financial Statements
May 19, 2022	Approval of the following: (1) Agenda for the 2022 Annual Stockholders Meeting (2) Amendments of Bylaws (3) List of Nominees for Election of Directors
June 17, 2022	Approval to sign Joint Venture Agreement with Siam Global House Public Company Limited.
June 24, 2022	Result of the Annual Stockholders Meeting: (1) Election of Mr. Lucio L. Co, Mrs. Susan P. Co, Mr. Leonardo B. Dayao, Mr. Roberto Juanchito T. Dispo, Mr. Levi B. Labra, and Mr. Jaime J. Bautista as Regular Directors (2) Election of Mr. Robert Y. Cokeng, Mr. Oscar S. Reyes and Mr. Bienvenido E. Laguesma as Independent Directors (3) Approval of 2021 Annual Report and Audited Financial Statements (4) Approval of the Amendment of Bylaws Result of the Organizational Meeting and Appointment of Committee Memberships. Election/Appointment of the following officers: Chairman Mr Lucio L. Co Vice-Chairman: Mrs. Susan P. Co President: Mr. Leonardo B. Dayao Treasurer: Mrs. Susan P. Co Lead Independent Director: Mr. Robert Y. Cokeng Comptroller: Mr. Teodoro A. Polinga Chief Legal Counsel: Mr. Andres S. Santos Corporate Secretary: Mr. Jose S. Santos, Jr. Internal Auditor and Risk Management Officer: Ms. Emerlinda Llamado Data Privacy Officer: Maricel E. Mariano Investor Relations Officer: Mr. John Marson T. Hao Sustainability Officer: Mr. John Marson T. Hao Executive Committee: Chairman: Mr. Lucio L. Co Members: Mrs. Susan P. Co, Mr. Leonardo B. Dayao, Mr. Roberto Juanchito T. Dispo and Mr. Levi B. Labra Ex-Officio Members: Mr. Ferdinand Vincent P. Co, Mr. Jose Paulino L. Santamarina, Ms. Girlie M. Sy and Ms. Aida De Guzman Corporate Governance Committee: Chairman: Mr. Oscar S. Reyes (Independent Director) Members: Mr. Bienvenido E. Laguesma (Independent Director), Mr. Robert Y. Cokeng (Independent Director), Mr. Lucio L. Co and Mr. Leonardo B. Dayao Ex-Officio Members: Ms. Candy H. Dacanay-Datuon and Ms. Girlie M. Sy Audit Committee: Chairman: Mr. Robert Y. Cokeng (Independent Director)

	Members: Mr. Oscar S. Reyes (Independent Director), Mr. Bienvenido E. Laguesma (Independent Director), Mrs. Susan P. Co, and Mr. Leonardo B. Dayao Ex-Officio Members: Mr. Teodoro A. Polinga and Mr. Emerlinda Llamado
June 29, 2022	Resignation of Mr. Jaime J. Bautista as regular director and Mr. Bienvenido E. Laguesma as Independent Director.
August 2, 2022	Approval of the Consolidated Financial Performance as of June 30, 2022
September 14, 202	Appointment of Mr. Rey Arr Cahaponon as ESG Officer of the Company
November 8, 2022	Approval of the following: (1) Consolidated Financial Performance as of September 30, 2022 (2) Appointment of Mr. Ramon J.P. Paje as Independent Director, effective December 1, 2022
December 21, 2022	Approval of the following: (1) 2022 Audit Plan by the External Auditor (2) Renewal of Buyback Program up to 2 billion pesos (3) Regular Cash Dividend of P0.14 per share and Special Cash Dividend of P0.05 per share

ANNEX "G"

Minutes of the Annual Stockholders' Meeting of
COSCO CAPITAL, INC.
June 24, 2022, 10 am, via Zoom Meeting

The Chairman of the Board and the Annual Stockholders' Meeting, Mr. Lucio L. Co, welcomed the stockholders, directors, and officers of Cosco Capital, Inc. He thanked them for attending the annual meeting.

A. Call to Order and Proof of Notice and Quorum

Mr. Co called the meeting to order. He asked the Secretary, Atty. Jose S. Santos, Jr. if there is a quorum in the annual stockholders' meeting. Atty. Jose S. Santos, Jr. replied that notices of the Annual Stockholders' Meeting were disseminated to all stockholders of record of the Company following the provisions of the By-Laws and the Memorandum Circular of the Securities and Exchange Commission dated February 16, 2022.

Atty. Jose S. Santos, Jr. submitted the notice of the meeting, together with the Information Statement to the Securities and Exchange Commission and the Philippine Stock Exchange, through the EDGE submission system, where the PSE approved it as a Company Announcement. The Company also posted the notice on its website and published it, both in the physical paper and the online platform of the Philippine Daily Inquirer and the Philippine Star on May 26 and 27, 2022.

She also mentioned that the members of the board, who are at the same time nominees for re-election, the executive officers of the Company, and the representatives from the External Auditor R.G. Manabat & Co. and RCBC, Stock Transfer Agent, were present in the meeting.

Atty. Jose S. Santos, Jr. certified that there was a quorum for valid transaction of business in the meeting because out of 7,187,529,764 common shares issued and outstanding of the Company, there were present in the forum, in person, *in absentia,* and by proxy, stockholders representing a total of 6,345,167,280 common shares, or equivalent to 88.28% of the Company's outstanding capital stock.

B. Approval of the Minutes and Ratification of all acts of the Board of Directors and Management

Mr. Lucio Co proceeded with the next item on the agenda, the approval of the minutes of the previous stockholders' meeting and ratification of all acts of the Board of Directors and officers of the Company since the last Annual Stockholders' Meeting held on June 25, 2021.

A motion was made to approve the minutes of the previous stockholders' meeting, together with all acts, proceedings, contracts, or deeds performed, entered into, or executed by the Company's Board of Directors and officers, be approved, confirmed, and ratified as if such acts, proceedings, contracts, or deeds had been performed, entered into, or executed with specific and special authorization of the stockholders in a meeting duly convened and held.

The motion was duly seconded and carried out.

Mr. Lucio Co called upon the Secretary to present the votes garnered in the particular item in the agenda.

Atty. Jose S. Santos, Jr. presented the following result:

	Yes	No	Abstain
Approval of the Minutes and Ratification of all acts of the Board of Directors and Management	6,345,167,280 (100%)	0	0

C. Approval of 2021 Annual Report and Audited Financial Statements

Mr. Lucio Co moved to the next item on the agenda, the presentation of the Annual Report and the approval of the Consolidated Audited Financial Statements of the Company as of December 31, 2021.

The Joint Chairman and President's Report to the Stockholders is attached in the Minutes as *Annex "A"*.

During the reading of the said letter, the Company played a video presentation[1].

Another video about the Sustainability Initiatives[2] of the Company was presented after the presentation of 2021 Consolidated Audited Financial Statements.

Mr. Lucio Co asked the stockholders if they had any questions regarding the Company's Annual Report. The Chairman heard none.

After that, a motion to approve the Annual Report and the Consolidated Audited Financial Statements of the Company were duly seconded. There being no objection, the motion was approved.

Mr. Lucio Co called upon the Secretary to present the votes garnered in the particular item in the agenda.

Atty. Jose S. Santos, Jr. presented the following result:

	Yes	No	Abstain
Approval of 2021 Annual Report and Audited Financial Statements	6,341,642,680 (99%)	815,900	2,708,700

D. Election of Directors

Mr. Lucio Co moved to the next item on the agenda, the election of the members of the Board of Directors for the year 2022-2023.

He mentioned that the Corporate Governance Committee pre-screened the qualifications of all nominees and prepared a final list of all candidates for directors and that such a definitive list of candidates was made available to all stockholders through the

[1] *Available on the Company website.*
[2] *Available on the Company website.*

information statements released to the public.

Atty. Jose S. Santos, Jr. announced the candidates for the 2022 Board of Directors:

1. Mr. Lucio Co
2. Ms. Susan P. Co
3. Mr. Leonardo B. Dayao
4. Mr. Levi B. Labra
5. Mr. Roberto Juanchito T. Dispo
6. Mr. Jaime J. Bautista
7. Mr. Oscar S. Reyes as Independent Director
6. Mr. Robert Y. Cokeng as Independent Director
7. Mr. Bienvenido E. Laguesma as Independent Director

Mr. Lucio Co requested the Secretary to present the results of the *in absentia* voting for this particular item on the agenda.

Atty. Jose S. Santos, Jr. presented the following result:

	In Favor	Against	Abstain
Election of Lucio L. Co	6,257,008,135	88,159,145	0
Election of Susan P. Co	6,243,329,765	101,837,515	0
Election of Leonardo B. Dayao	6,225,032,535	120,134,745	0
Election of Roberto Juanchito T. Dispo	6,263,661,750	81,505,530	0
Election of Levi B. Labra	6,338,844,080	6,323,200	0
Election of Jaime J. Bautista	6,325,475,550	19,691,730	0
Election of Robert Y. Cokeng	6,185,687,765	159,479,515	0
Election of Oscar S. Reyes	6,173,614,535	171,552,745	0
Election of Bienvenido E. Laguesma	6,329,874,650	15,292,630	0

After that, Mr. Lucio L. Co declared himself, Ms. Susan P. Co, Mr. Leonardo B. Dayao, Mr. Levi B. Labra, Mr. Roberto Juanchito T. Dispo and Mr. Jaime J. Bautista as regular directors of the Company for 2022 – 2023 and Mr. Robert Y. Cokeng, Mr. Oscar S. Reyes and Mr. Bienvenido E. Laguesma as independent directors for 2022 – 2023.

E. Amendment of Bylaws

Mr. Lucio Co moved to the next item on the agenda, the Bylaws Amendment. He called on the Secretary to discuss the proposed revisions in the Bylaws.

The Secretary presented on the screen the original and proposed revisions in the bylaws, as follows:

From	*To*
Section 2 Article 11 Shares of stock shall be transferred by delivery of the certificate endorsed by the owner or his attorney-in-fact or other person legally authorized to make the transfer, but no transfer shall be valid effective insofar as the corporation is concerned until duly	Section 2 Article II Shares of stock shall be transferred by delivery of the certificate endorsed by the owner or his attorney-in-fact or another person legally authorized to make the transfer. But no transfer shall be effective insofar as the corporation is

registered upon the books of the company, and before a new certificate is issued, the old certificate must be entered for cancellation upon the face thereof, and the Secretary shall keep the canceled certificate as proof of substitution. The stock book of corporation shall be closed for transfers ten (10) days next preceding general elections of directors and officers and during ten (10) days next preceding date upon which dividend are declared payable and during each additional time as the Board of Directors may from time to time determine and fix.	concerned until it is duly registered in the corporation's books and before the new certificate is issued. The old certificate must be entered for cancellation upon the face thereof, and the Secretary shall keep the canceled certificate as proof of substitution. The stock and transfer book shall be closed for transfer at least twenty (20) days for regular meetings and seven (7) days for special meetings before the scheduled date of the stockholders meeting. The Board of Directors shall fix a record date to determine the stockholders entitled to notice of or vote at any meeting of stockholders or any adjournment thereof.
Section 1 Article III The annual meetings of the stockholders of this corporation shall be held in Metro Manila on the last Friday of June of each year at such hour as stated in the notice of meetings which the Board of Directors may determine.	Section 1 Article III The annual meeting of the stockholders of this corporation shall be held in Metro Manila on the last Friday of June of each year at such time as may be fixed by the Board of Directors. The corporation may conduct physical or entirely virtual meetings subject to the applicable guidelines of the Securities and Exchange Commission.
Section 2 Article III The special meetings of the stockholders may be called at the principal office of the corporation at any time by resolution of the Board of Directors or by order of the President.	Section 2 Article III The special meetings of the stockholders may be called at the principal office of the corporation at any time by resolution of the Board of Directors or by order of the President. The corporation may conduct physical or entirely virtual special meetings subject to the applicable guidelines of the Securities and Exchange Commission.
Section 3 Article III Notice of meeting written or printed for every regular or special meetings of the stockholder shall be prepared and mailed to the registered post office address of each stockholder or personally served upon each of them at least thirty (30) days prior to the	Section 3 Article III Notices and information statements for regular or special meetings of stockholders shall be sent to stockholders by electronic transmission or by other means the Securities and Exchange Commission shall allow under its guidelines. The notice shall be sent to stockholders on record

date set for such meeting, and if for a special meeting, such notice shall state the object or objects of the same. No failure or irregularity of notice of any regular meeting shall invalidate such meeting or any proceeding threat when the stockholders thereof voted without protest. No publication of notice of meeting in the public newspapers shall be required. Such written notice, however, may be waived in writing by the stockholders.	twenty-one (21) days before the regular meeting and seven (7) days before the special meeting. The notice shall state the date, hour, place, and purposes for which the meeting is called. Electronic transmission means the delivery or transfer of data, information, or document by electronic email, posting on the company website and the Philippine Stock Exchange disclosure system, or other means of electronic transfer of data or information. No failure or irregularity of notice of any regular meeting shall invalidate such meeting or any proceeding threat when the stockholders thereof voted without protest. No publication of notice of meeting in the public newspapers shall be required. Such written notice, however, may be waived in writing by the stockholders.
Section 6 Article III At each meeting of the stockholders, every stockholder shall be entitled to vote in person or by proxy, and he shall have one vote for each share of stock standing in his name on the books of the corporation at the time of the closing of the transfer books on the day preceding the meeting; provided, however, that all meetings for the election of directors the shares of stocks will be voted as provided in Section 24 of the Corporation Code.	Section 6 Article III A stockholder may vote in person, by proxy, through remote communication, or *in absentia* subject to the applicable guidelines of the Securities and Exchange Commission. He shall have one vote for each share of stock standing in his name on the corporation's books at the record date fixed in the bylaws or by the Board of Directors. Provided, however, that in all meetings for the election of directors, the shares of stocks shall be voted following Section 23 of the Revised Corporation Code.
Section 7 Article III Election of the directors shall be held at the annual meeting of stockholders to be held on the LAST FRIDAY OF JUNE of every year as herein provided and shall be done by a majority of stock represented in the meeting and shall be conducted in the manner provided by the Corporation Law of the Philippines, as and with such a formality and in such manners as the officer presiding at the meeting shall then and there determine and provide. ALL NOMINATIONS FOR THE POSITION OF	Section 7 Article III Election of the directors shall be held at the annual meeting of stockholders every last Friday of June of every year and shall be done in the manner provided by the Revised Corporation Code. All nominations for the position of Director must be received by the Corporate Governance Committee of the corporation on or before the record date fixed by the Board of Directors for attending the annual stockholders meeting.

DIRECTOR MUST BE RECEIVED BY THE CORPORATE SECRETARY AT LEAT FIVE (5) BUSINESS DAYS PRIOR TO SUBMISSION OF THE DISCLOSURE TO THE SES AS PROVIDED IN THE SECURITIES REGULATION CODE. Any stockholder having at least five million (5,000,000) shares registered in his name in the books of the corporation may be elected director, provided however that no person shall quality or be eligible for nomination or election as director if such person (I) is an antagonistic-competitor of the Corporation, or (ii) is engaged in the distribution or trading of securities listed in the Philippine Stock Exchanges. Without limiting the generality of the foregoing, a person shall be deemed to be an antagonistic-competitor to the Corporation or engaged in the distribution or trading securities: (a) if such person, directly or indirectly, either by himself of through persons known to be associated with him, under his influence or control, has done or caused to be done acts deemed inimical to the interest, business or goodwill of the Corporation; (b) if he is a director, officer, manager or controlling person of, or the owner (either of rector or beneficially) of 10% or more of any outstanding class of shares of a corporation or partnership engaged in the distribution or trading of securities listed in Philippine Stock Exchanges; or (c) if he is an agent, trustee, partner, nominee, director, officer or employees of or if he is a spouse or relative within the 4th civil degree, either by consanguinity or affinity of, or a person controlling, controlled by or under common control with any person set forth above. The determination of whether a person is disqualified to become a director under this Section shall be made by a Committee of three (3) disinterested persons, who may or may not be stockholders of the Corporation, to be appointed by the Board of Directors. The decision of the Committee shall be	Any stockholder having at least five million (5,000,000) shares registered in his name in the books of the corporation may be elected director, provided however that no person shall qualify or be eligible for nomination or election as director if such person (i) is an antagonistic-competitor of the Corporation, or (ii) is engaged in the distribution or trading of securities listed in the Philippine Stock Exchange. Without limiting the generality of the foregoing, a person shall be deemed to be an antagonistic-competitor to the Corporation or engaged in the distribution or trading securities: (a) if such person, directly or indirectly, either by himself of through persons known to be associated with him, under his influence or control, has done or caused to be done acts deemed inimical to the interest, business or goodwill of the Corporation; (b) if he is a director, officer, manager or controlling person of, or the owner (either of rector or beneficially) of 10% or more of any outstanding class of shares of a corporation or partnership engaged in the distribution or trading of securities listed in Philippine Stock Exchanges; or (c) if he is an agent, trustee, partner, nominee, director, officer or employees of or if he is a spouse or relative within the 4th civil degree, either by consanguinity or affinity of, or a person controlling, controlled by or under common control with any person set forth above. The determination of whether a person is disqualified to become a director under this Section shall be made by the Corporate Governance Committee. There shall be elected to the Board of Directors, the number of independent directors as required by laws by law or regulation as of the date of election. The nomination and election of the independent directors shall be governed by the provisions of Section 38 of the Securities Regulations Code and its implementing rules and

binding on the Corporation if concurred in by at least two (2) members and such decisions shall be divulged to the stockholders during the relevant Annual Meeting. There shall be elected to the Board of Directors, the number of independent directors as required by laws by law or regulation as of the date of election. The nomination and election of the qualified directors shall be governed by the provisions of Section 38 of the Securities Regulations Code and its implementing rules and regulations. The chairman of meeting shall inform all Stockholders in attendance of the mandatory requirement of electing independent director/s. In case of failure of election for independent director/s, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.	regulations. The chairman of meeting shall inform all Stockholders in attendance of the mandatory requirement of electing independent director/s. In case of failure of election for independent director/s, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.
Section 7 Article IV The regular annual meeting of the Board of Directors shall be held at the principal office of the corporation at such other place in or outside the Philippines, as the majority of the majority of the directors may designate from time to time, immediately after the annual meeting f the stockholders, or as soon as possible thereof, for the purpose of electing the officers of the corporation for the ensuing year and transacting any other business that may properly come before the meeting.	Section 7 Article IV <u>The Board of Directors shall meet at least six (6) times per calendar year. The dates of which shall be set at the beginning of the year.</u> <u>Regular meetings of the Board of Directors shall be presided over by the Chairman or, in his absence, by any other director chosen by the Board.</u> <u>Regular meetings of the Board of Directors may be conducted in person or through remote communications such as videoconferencing, teleconferencing, or other alternative modes of communication allowed by the Securities and Exchange Commission.</u>
Section 8 Article IV Special meeting of the Board of directors shall be held in the principal office of the corporation or at such other place in or outside the Philippines, as may be designated in the call, and may be called by the President at any time; or by the majority of the Board of such special meetings may	Section 8 Article IV <u>The Board of Directors may hold special meetings upon the request of the Chairman, President, or majority of the Directors.</u> <u>Special meetings of the Board of Directors shall be presided over by the Chairman or, in his absence, by any other director chosen by the Board. It may be conducted in person or through</u>

be held at any time and place without notice by unanimous written consent of all members of the Board, or with the presence and participation of all members of the Board.	remote communications such as videoconferencing, teleconferencing, or other alternative modes of communication allowed by the Securities and Exchange Commission.
Section 9 Article IV Notices of special meeting shall be mailed or personally serves by the Secretary to each member of the Board not less than ten (10) days before any such meeting, and such notices shall state the objects and purposes thereof. No publication of the notice of any meeting in the public newspapers shall be required.	Section 9 Article IV Notice of the regular or special meetings of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, by electronic mail, or any other suitable means of sending notice. A director may waive this requirement, either expressly or impliedly. No publication of the notice of any meeting in the public newspapers shall be required.

A motion was made to approve the proposed revisions in the bylaws. The same was duly seconded. The Chairman declared the motion as carried and requested the Secretary to present the results of the *in absentia* voting for this particular item on the agenda.

Atty. Jose S. Santos, Jr. presented the following result:

	Yes	No	Abstain
Amendment of Bylaws	6,345,034,080	133,200	0

As shown in the tally of votes, stockholders representing 6,345,034,080 (88.28%), or more than 2/3 of the Company's total issued and outstanding shares approved the revisions in the Company's bylaws.

F. Re-appointment of R.G. Manabat & Company as External Auditor

The Chairman moved to the next item on the agenda, the re-appointment of R.G. Manabat & Company as External Auditor. Mr. Lucio Co mentioned that the Audit Committee of the Company recommended that RG Manabat & Co., (KPMG), with Mr. Dindo Dioso, as the handling partner, be re-appointed as the External Auditor of the Company and its subsidiaries for the year 2022 with auditors fee of up to P8 million.

A motion to re-appoint R.G. Manabat & Co. (KPMG) as the company's external auditor and its subsidiaries for the year ending December 31, 2022, with an audit fee of up to P8 million was made and duly seconded.

Mr. Lucio Co requested the Secretary to present the results of the *in-absentia* voting for this particular item on the agenda.

Atty. Jose S. Santos presented the following result:

	Yes	No	Abstain
Re-Appointment of External Auditor	6,298,385,580	4,807,800	41,973,900

G. Other Matters

Mr. Lucio Co asked the stockholders present in the meeting if they had any questions for the board or the management. No stockholder raised any question.

H. Adjournment

There being no other business to transact, the Chairman asked for a motion to adjourn the meeting. A motion was made and duly seconded. There being no objection, the meeting was adjourned.

Mr. Lucio Co thanked the stockholders and participants in the Annual Stockholders' Meeting.

Prepared by:

Atty. Jose S. Santos, Jr.
Corporate Secretary

Approved by:

Mr. Lucio L. Co
Chairman of the Board